

INDIAN TARIFF BOARD

Evidence

recorded during enquiry regarding

GOLD THREAD INDUSTRY



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH

1931

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No. 180-T (12).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

Simla, the 15th May, 1930.

RESOLUTION.

TARIFFS.

In accordance with the statement made in the Legislative Assembly on the 22nd March, 1930, the Government of India have decided to refer to the Tariff Board, for investigation, the question of extending protection to the manufacture in India of silver plate, silver thread and wire (including so-called gold thread and wire mainly made of silver), silver leaf and other silver manufactures.

2. In making its enquiry the Board will be guided by the principles laid down in the Resolution adopted by the Legislative Assembly on the 16th February, 1923, and will consider—

- (i) whether the conditions laid down in paragraph 97 of the Report of the Indian Fiscal Commission are satisfied in the case of the industry and whether it should be protected;
- (ii) if so, in what form and for what period protection should be given; and
- (iii) how its recommendations, if any, will affect industries using silver manufactures.

3. Firms and persons interested who desire that their views should be considered by the Tariff Board, should address their representations to the Secretary to the Board.

ORDER. —Ordered, that a copy of the above Resolution be communicated to all Local Governments and Administrations, all Departments of the Government of India, the Central Board of Revenue, the Director General of Commercial Intelligence and Statistics, the Indian Trade Commissioner, London; the Secretary, Tariff Board, His Majesty's Trade Commissioner in India, all Chambers of Commerce, the Canadian Government Trade Commissioner in India, and Secretary, Imperial Council of Agricultural Research.

Ordered also, that it be published in the *Gazette of India*.

J. C. B. DRAKE,

*Joint Secretary
to the Government of India.*

**Press Communiqué issued by the Tariff Board
on the 4th June, 1930.**

The Government of India in their Resolution in the Commerce Department, No. 180-T. (12), dated 15th May, 1930, have referred to the Tariff Board, for investigation the question of extending protection to the manufacture in India of silver plate, silver thread and wire (including so-called gold thread and wire mainly made of silver), silver leaf and other silver manufactures.

The Board has prepared a questionnaire to be answered by manufacturers of gold and silver thread. Copies of this questionnaire may be obtained on application to the Board's tour office in Ootacamund.

In respect of the other articles mentioned in the Resolution of the Government of India, the Board will be glad to receive representations from interested persons. Such representations (with five spare copies) should be addressed to the Secretary and should reach the Board's tour office in Ootacamund not later than the 7th July, 1930.



सत्यमेव जयते

Questionnaire issued by the Tariff Board to be answered by Manufacturers of Gold and Silver Thread.

NOTE.—It will not ordinarily be sufficient to answer a question with a simple affirmative or negative; where possible reasons should be given.

1. When was your firm established? Is it a public or private registered Company or is it an unregistered firm?
2. At what date did the factory under the control of your firm commence manufacture of gold and silver thread?
3. (a) What are the principal classes of gold and silver thread manufactured by you?
(b) Explain the differences between the various classes in composition, form, etc.
(c) What is the most usual form of gold or silver thread in use?
4. Do you undertake the manufacture of imitation gold and silver thread? How is the difference between real and imitation gold and silver thread determined?
5. What is the full capacity of your factory as at present equipped for the manufacture of gold and silver thread?
6. What is the full capacity of your factory as at present equipped for the ten years?

Raw materials.

7. What are the principal raw materials for the manufacture of gold and silver thread?
8. From where do you obtain your materials and at what price?
9. It is understood that the customary unit of measurement of gold and silver thread is the reel of 1,200 yards. What quantity of each of the raw materials is required per reel of thread?

Labour.

10. Is there any difficulty in securing sufficient labour for your factory? To what extent is skilled labour required?
11. What is the total number of Indian workmen employed? How many of them are women and children and what are the average rates of wages of the different classes?

Power.

12. Is power used in your factory? If so, is it derived from electricity or steam or some other source?
13. If electric power is used, from what source is it obtained, what is the cost per unit and what is the number of units required per unit of production?
14. If steam power is employed, what is the fuel used?
15. What is the total quantity of fuel required per unit of output?

Market.

16. What is your estimate of the gold and silver thread consumed in India and how much of this is produced in the country?

17. In what parts of India are your principal markets situated and what are the distances which separate them from the factory?

18. Are there any markets in India in which owing to their distance from the ports, you are more easily able to compete against foreign manufacture? If so, please state which those markets are and the approximate demand in each?

19. To what extent is the market served by imported gold and silver thread distinct from that served by gold and silver thread manufactured in India?

20. Have you any reason to suppose that there is any illicit importation of gold and silver thread into India? If so, to what extent is your market affected thereby?

Competition.

21. Which are the foreign countries from which competition in the Indian markets is keenest?

22. (a) What are the principal classes of gold and silver thread imported?

(b) Explain the differences between these classes in composition, form, etc.

(c) For which of these classes is there most demand?

(d) In respect of which classes is competition with Indian manufactures most severe?

23. To what extent does imitation gold and silver thread compete with real gold and silver thread of Indian manufacture?

24. From what countries is imitation gold and silver thread mostly imported?

25. Please state—

(1) The price at which various classes of imported gold and silver thread (including imitation thread) entered the country during each of the last 10 years and the present price.

(2) The prices realised during the same years for gold and silver thread of your manufacture. If possible, the f.o.b. price in sterling of imported gold and silver thread should be given and the following items shown separately:—(1) freight; (2) insurance and trade charges; (3) customs duty; (4) landing charges. If this is not possible, then state the c.i.f. price plus customs duty and landing charges.

26. Have you any reason to suppose that prices at which foreign producers sell for export to India (a) are unremunerative (b) leave only a small margin of profit to the producer, or (c) are exported at a price below the lowest current price in the home market.

27. Do you consider that as compared with the foreign manufacturer the Indian manufacturer is at a disadvantage in all or any of the following points:—

(a) cost of plant or machinery;

(b) cost of expert labour;

(c) cost and efficiency of ordinary labour;

(d) the provision of raw materials;

(e) freights on finished goods;

(f) customs duty on imported materials;

(g) the raising of capital.

28. Which of the disadvantages mentioned in your answer to question No. 27 do you consider as permanent and which as temporary?

29. Is there any difference in quality recognised by the market between imported and Indian-made gold and silver thread? If so, to what extent does the quality of imported gold and silver thread depend on the employment of secret processes of manufacture?

30. Please state the customs duties which have been in force during the last 10 years and the changes in such duties—

- (a) on imported gold and silver thread;
- (b) on imported imitation gold and silver thread;
- (c) on each of the raw materials used by you in the manufacture of gold and silver thread.

To what extent do you consider that the rate of such duties has—

- (a) restricted foreign competition;
- (b) encouraged the Indian industry.

Give figures of imports and production in support of your opinion.

PROCESS OF MANUFACTURE AND EQUIPMENT.

31. Do you consider that your factory is sufficiently large as an economic unit of production to secure economy? What in your opinion is the smallest unit of production which can be operated economically under present-day conditions?

32. What percentage of your total capital outlay has been incurred on plant and machinery?

33. Give a brief description of your plant and machinery.

34. Do you consider your machinery and other equipment sufficiently up to date and efficient to enable you to compete successfully against the foreign manufacturers?

35. Please describe in detail the process of manufacture of gold and silver thread in your factory.

36. What parts of your machinery, if any, are made in India?

Capital account.

37. What is the block value of your property as it stood in your books at the end of the last complete year for which figures are available under the following heads:—

- (a) Lands.
- (b) Buildings.
- (c) Plant and machinery.
- (d) Other miscellaneous assets.

38. What do you estimate would be the present-day cost under the headings—

- (a) buildings, and
- (b) plant and machinery

of erecting a factory having the same output as your present factory?

39. Please state the profit which has accrued on the working of the factory in each of the last ten years and the rates of dividend paid on the shares (if any).

Works Cost.

40. Please fill up the two forms annexed to the questionnaire regarding works costs?

41. Was the works cost increased in any of the years for which figures have been given owing to the fact that the factory was working at less than its full capacity? If so, which were the items principally affected? To what extent would they probably have been reduced if a full output had been obtained.

OVERHEAD CHARGES.*(i) Depreciation.*

42. What are the rates allowed by the Income-tax authorities? Do you consider that in calculating the cost of producing gold and silver thread, these rates are suitable. If not what rates do you suggest?

(ii) Working Capital.

43. What is the working capital which the company requires—

- (a) according to its present output;
- (b) according to the output equivalent to its full capacity.

44. What is the average value of the stocks of finished goods held by the company? What period normally elapses between production and payment?

(iii) Agents Commission and Head Office expenses.

45. (a) Has the Company a Head Office other than the office of the local management?

(b) Is it under the control of a firm of Managing Agents?

46. If the answer to question 45 (a) is in the affirmative please state—

- (1) The annual amount of the Head Office expenses;
- (2) The Managing Agents commission.

(iv) Manufacturers Profit.

47. What rate of dividend do you consider a fair return on ordinary shares in a factory manufacturing gold and silver thread?

Claim for Protection.

48. In paragraph 97 of their Report, the Fiscal Commission laid down three conditions which in ordinary cases ought to be satisfied by industries claiming protection. Do you consider that these conditions are satisfied in the case of the gold and silver thread industry? And in particular—

- A. Do you claim that the industry possesses natural advantages, such as an abundant supply of raw materials, cheap power, a sufficient supply of labour or a large home market?
- B. Do you claim that without the help of protection, the industry is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country?
- C. Do you claim that the industry will eventually be able to face world competition without protection?

These conditions have been approved by the Government of India and by the Legislative Assembly and it is therefore of great importance to ascertain whether they are satisfied. If you consider that the gold and silver thread industry fulfils these conditions, the reasons for your opinion should be fully explained.

49. Do you claim that the Gold and Silver Thread Industry satisfies either or both of the conditions mentioned in paragraph 98 of the Fiscal Commission's report, viz.:—

(a) That the industry is one in which the advantages of large scale production can be achieved and that increasing output would mean increasing economy of production.

(b) That it is probable that in course of time, the whole needs of the country could be supplied by the home production.

50. Do you consider that there are any features in the industry which make it peculiarly suitable to Indian economic conditions?

51. What is the amount of protection the industry receives at present owing to—

(a) The existing Customs duties;

(b) Transport charges between the country of production and the port of entry, i.e., freight, insurance, trade charges and landing charges?

52. What is the amount of protection which you consider necessary?

NOTE.—The reasons for proposing the particular rate recommended should be explained.

53. If protection is granted by means of a duty, on what classes of thread do you propose that the duty should be levied?

54. Do you recommend any form of assistance other than a protective duty? If so, your reasons should be stated.

55. To what extent do you consider that protection, if extended to the industry, will affect other industries using gold and silver thread?

FORM I.

Total expenditure on production of gold and silver thread in each of the last four years.

1. Cost and amount of silver used.
2. Cost and amount of cotton yarn.
3. Cost of other raw materials (if any).
4. Cost of factory labour—
 - (a) For drawing silver wire and flattening same.
 - (b) Twisting lametta on to thread.
 - (c) Gilding.
 - (d) Skeining.
 - (e) Other labour, if any.
5. Power and Fuel.
6. Ordinary current repairs and maintenance of plant, buildings and machinery.
7. General services, supervision and local office charges.
8. Miscellaneous.

Total production for the year.

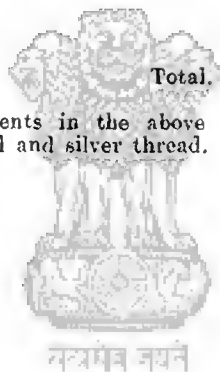
FORM II.

Works cost per reel of 1,200 yards in each of the last four years.

1. Cost and amount of silver used.
2. Cost and amount of cotton yarn.
3. Cost of other raw materials (if any).
4. Cost of factory labour—
 - (a) For drawing silver wire and flattening same.
 - (b) Twisting lametta on to thread.
 - (c) Gilding.
 - (d) Skeining.
 - (e) Other labour, if any.
5. Power and Fuel.
6. Ordinary current repairs and maintenance of plant, buildings and machinery.
7. General services, supervision and local office charges.
8. Miscellaneous.

Total.

NOTE.—Separate statements in the above form should be prepared in respect of each class of gold and silver thread.



The India Gold Thread Mills, Limited, Perambur, Madras.

A.—WRITTEN.

(1) *Letter dated the 3rd July, 1930.*

I herewith submit my report to the members of the Tariff Board for kind perusal and consideration.

Enclosure.

1. The India Gold Thread Mills was originally started in the year 1907.
2. The same was floated as a limited concern in the year 1921 and the Factory began work in the month of March 1922. The Company went into voluntary liquidation in the year 1929.
3. (a) Gold Gilt Silver threads on orange and yellow silks.
(b) Gilt Silver threads are prepared from 1,000 yards per ounce to 2,000 yards per ounce. Different shades of gold colour are produced by using less or more gold in solution.
(c) Gold threads of highest gilding are mostly used in India.
4. No. Real gold threads are made of silk, silver and gold whereas imitation gold threads are made of cotton, copper and gold.
- 5 and 6. Capacity of India Gold Thread Mills Limited are 1,600 ounces of gold thread or 200 marks per mensem of 24 working days.

MATERIALS.

7. Twisted and dyed silk silver wire and gold. Potassium Cyanide is used in making gold solution.
8. We get raw silk from Mysore and Kashmere. Benares is a great centre of silver wire manufacture. Prices vary according to market fluctuations.
9. One mark of 245 grams or 21 Tolas of gold thread contains 5 tolas of silk, 16 tolas of silver and $\frac{1}{4}$ to $\frac{1}{2}$ tola of gold.

LABOUR.

10. No. New workmen are easily taught manufacture of silver thread. Gilding work is chiefly looked after by experienced proprietors or employees with the help of workmen. Skilled labour is required for wire drawing industry.
11. 35 workmen. Wages range from annas 8 to Rs. 1-4 per diem.
12. Yes, we derive steam power from steam engine.
13. We get electrical energy for gilding purposes from dynamos.
14. Wood fuel is used.
15. $\frac{1}{4}$ to $\frac{1}{2}$ ton of wood fuel is required per diem for a steam engine of 12 N. H. P.

MARKET.

16. It is impossible for us to estimate the total consumption of real gold threads in India. But considerable quantities are manufactured in Surat and Benares.
17. The products of our Factory were sold throughout the Madras Presidency.
18. No.
19. 50 per cent.
20. Yes, to some extent.

COMPETITION.

21. Internal competition is greater than external competition.

22. (a) & (b) Imported gold threads range from 1,200 yards to 2,000 yards per ounce and are of highest gilding.

(c) For the above mentioned qualities.

(d) Except our Factory, Surat and Benares manufacturers prepare gold threads in machinery made in India. Indian machines lack in mechanism and a threading machine of 20 spindles cost Rs. 150 whereof French machines of same number of spindles cost Rs. 1,000. Hence Indian manufacturers are unable to produce better gold threads and compete with foreign countries.

23. To a considerable extent.

24. From France. German real and imitation gold threads are not up to French standard.

25. (i) For the last ten years the prices of all sorts of imported gold threads are on a downward tendency and the present price is the lowest ranging from Rs. 35 to Rs. 40 for real gold threads and Rs. 4 to Rs. 7-8 for imitation gold threads.

(ii) The present prices of real Gold threads produced in Surat range from Rs. 23 to Rs. 30. Our Gold threads were sold from Rs. 5 to Rs. 7 more than Surat Gold threads.

26. (a) No.

(b) Yes.

(c) No.

27. (a), (b), (c), (d) & (e) No.

(f) & (g) Yes.

28. (f) Permanent.

(g) Temporary.

29. Superior Lametta and threading machines. Improved Gilding process.

30. (a) 30 per cent.

(b) 15 per cent.

(c) We take gold and silver as raw materials. We are not aware of the exact customs duties.

(a) & (b) To some extent.

PROCESS OF MANUFACTURE AND EQUIPMENT.

31. No. 500 marks per month.

32. 25 per cent. of total capital outlay.

33. 8 Threading Machines (old model). French make. One double threading machine (new model) French make. 1 single and 2 double threading machines friction movement (new model) local manufacture. One double threading machine (new model) local manufacture. 5 Lametta machines (non changing model) French manufacture. One Lametta machine Indian make Gilding plant and other machinery of French make. 1 wire drawing machine of French make.

34. Yes.

35. (1) Raw silk are bought twisted in threes or fives and dyed.

(2) Silver bars are melted made into rods drawn successively in iron holes and then in ruby or diamond draw plates to a hair breadth size.

(3) Silk bobbins are inserted in threading machines. Lametta (flattened wire) bobbins are attached to the silk and thus Lametta is covered on silk while coming out of the spindle. This is called silver thread.

(4) These silver threads are gilded in cyanide pure gold solutions with the aid of dynamos and heat.

36. Complete threading machines Lametta machines and hand reeling machines.

37. (a) Rs. 12,500 (5 acres or 90 grounds—Rs. 200—per ground present market rate minimum).

(b) Rs. 27,127-11-8 (1 bungalow 5 outhouses compound walls. Present valuation Rs. 32,000 minimum).

(c) Rs. 26,244-18-10 open to inspection and offer.

38. (a) Rs. 20,000.

(b) Rs. 40,000.

39. 1922-23—12 per cent.

1923-24—9 per cent.

1924-25, 1925-26 & 1926-27—Nil.

WORKS COST.

40. Form I filled up.

Form II not filled up.

41. Yes. Importation of ready made silver threads from Benares and Surat were stopped owing to no profit. Gilding plant can gild 500 marks. Threading machines only produced 200 marks per month. If sufficient threads are manufactured there is profit.

OVERHEAD CHARGES.

42. Income-tax authorities accept depreciation, calculated by the Company.

WORKING CAPITAL.

43. (a) 15,000.

(b) 40,000.

44. Rs. 10,000 a month.

AGENT'S COMMISSION AND HEAD OFFICE EXPENSE.

45. (a) Yes.

(b) Board of Directors. नियमित नयन

46. (i) 3,000.

(ii) Ten per cent. of net profit.

MANUFACTURERS PROFIT.

47. 17 per cent.

CLAIM FOR PROTECTION.

48. (a) & (b) Yes.

(c) Yes. Abundant supply of raw silk from Mysore and Kashmere. Silver and gold can be had at any time. Cheap electrical power. Sufficient supply of labour, large home market. Protection by way of customs duty is required for a long time until Indian manufactured gold threads are equal to imported goods. If silver and gold can be had at a price prevailing in European markets the industry will face world competition without protection.

49. (a) & (b) Yes.

50. Hot climate, cheap labour, skilled workmen for wire drawing industry.

51. (a) The existing customs duties has considerably restricted imports of real gold threads.

(b) Wholesale exports to reduce transport charges and insurance to a minimum.

52. 50 per cent., 30 per cent. Customs duty has considerably restricted imports of real gold threads. 50 per cent. Customs duty will give a further impetus to the industry.

53. Both real and imitation gold threads.

54. Bounties for an organised gold thread industry. Guaranteeing a certain percentage of interest by way of dividend on the paid up capital.

55. 50 per cent. Customs duty on imported gold thread will not affect industries using gold threads. If the price of imported gold thread becomes prohibitive they will use Indian gold thread and their products will become cheaper.

I regret my inability to submit the details in Form I as the Company Factory did not work for the last three years and as the same is in liquidation (Voluntary). I, however, herewith submit total expenditure on production of gold threads for one year at the present silver market rate.

	Rs.
1 and 4 (a) Cost of silver wire	28,800
2. Fine silk for our gold threads	9,600
3. Gold for gilding	12,000
4. (a) Flattening as Lametta	1,440
(b) Twisting lametta on silk	2,940
(c) Gilding and chemicals	400
(d) Skeining and reeling	1,200
(e) Engine driver and fireman	540
5. Steam power Fuel	3,000
6. Oils, repairs, etc.	600
7. Supervision and office charges	4,200
8. Watchman, gardner and lighting, etc.	1,200
Cost of production of 2,400 marks each of 21 tolas	<u>65,920</u>

As per details of expenditure above mentioned the cost per mark comes to about Rs. 27-8. If the stock are cleared month by month we get a profit of Rs. 2-8 per mark. Now-a-days it is difficult to sell our marks at Rs. 30. If stock accumulates we have to undersell. We have to give trade commission. There were expenses of Rs. 3,000 per annum for our registered office at Madura. At the beginning of the factory we were able to declare 12 per cent. and 9 per cent. dividend for two years (in the subscribed capital of Rs. 1,34,000) as there was not much profit from the fourth year the factory began to work at a loss. The Company went into voluntary liquidation in the year 1929. Therefore if the Government were to levy a Customs duty of 50 per cent. on imported real gold threads there will be further encouragement for the industry.

(2) *Letter, dated the 24th July, 1930, from The India Gold Thread Mills, Limited, Perumbur, Madras.*

I had duly received the typed evidence given by me before the Tariff Board. I have sent the same duly corrected.

Silk.—I regret for having told mistakenly that Rs. 50 is the twisting and dyeing charges for 3 lbs. I have corrected as Rs. 15 for 3 lbs.

Prices of raw silk.—Last time we seem to have purchased fine raw silk of 6/8 deniers at about Rs. 18 per lb. I received no reply for my letter of 16th instant from Mysore Government Silk Factory for present quotation.

I think that China and other ordinary raw silk is not suitable for gold thread. We want very fine and uniform silk without knots, etc., for our gold threads. This is why we have to pay a higher price for raw silk. In my opinion the prices of raw silk suitable for gold thread would not have lessened in price.

I have to add that stationery, postages and travelling expenses of 1 marc comes to about As. 6. I cannot say about income-tax.

(3) *Letter No. 603, dated the 31st July, 1930, from the Secretary, Tariff Board, to the India Gold Thread Mills, Limited, Perambur, Madras.*

I am directed to refer once again to the evidence given by you before the Indian Tariff Board. The following question was asked: "Can we take Rs. 45,000 as the reasonable cost of establishing a new factory to turn out 500 marcs a month?" and your reply was "Yes with Indian machines on French models". In correcting your evidence in question you have added after the figure Rs. 45,000 "Rs. 30,000 for 200 marcs" and in the answer you have substituted the figure "Rs. 75,000" for the word "Yes".

I am to say that the Board is unable to accept this alteration, which affects all the subsequent calculations, without strong evidence to support it. You will remember that the figure Rs. 45,000 was arrived at after a **detailed enquiry embracing** all the possible items of cost, value of land, value of plant for 500 marcs a month, value of buildings, etc. I am also to state that the Board now has figures of a plant in Bombay capable of turning out about 650 marcs a month showing the cost of the plant as approximately Rs. 3,000. Your figure therefore of "Rs. 30,000 for 200 marcs" seems quite unacceptable and it would seem on the whole that even the original estimate of Rs. 45,000 may have to be reduced.

I am therefore to say that, if you wish your revised figures to be retained in your evidence, you should forward a detailed statement showing clearly and exactly each item upon which your estimate is based.

(4) *Letter dated 4th August, 1930, from the India Gold Thread Mills, Limited, Perambur, Madras.*

I am in receipt of your letter, dated 31st July, 1930, and the contents of which have had my attention.

To-day I have enclosed herewith an estimate for production of 500 marcs per month.

I very much regret for having said in my oral evidence, offhand the sum of Rs. 45,000 for the production of 500 marcs per month. I might have omitted several important items by mentioning the above said figure.

I enclose herewith a letter* and machinery photos* of Messrs. J. Berthaud Fils-Lyon, dated 23rd June, 1922, in which you will see that the price of double threading machinery of 40 bobbins is 6,000 francs at the rate of 150 francs per bobbin. The price of one lametta machine is 2,850 francs. But we do not know the present quotation for these machines. In my estimate I have calculated the price of a single threading machine at Rs. 400 (Indian manufacture with some changes in construction).

We have to construct lametta machines here with imported steel rollers marked a, b, in the photos. These rollers are of high quality steel and temper. With the exception of steel rollers, of lametta machines, dynamos, boiler and engine, and steam pump everything can be manufactured here. I am surprised to see that there is an estimate before you for a gold thread plant costing Rs. 3,000 capable of producing 650 marcs per month.

I think Rs. 1,00,000 would be the cost of machinery alone capable of producing 500 marcs per month if we were to import the same from France.

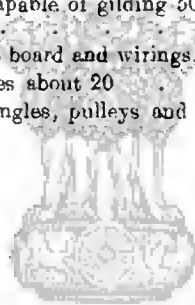
90 per cent. of the gold thread machines of India Gold Thread Mills Limited, Perambur, (Madras) are of French make, others are local manufacture please note.

Enclosure.

Estimate for 500 marcs production.

Threading machines and some other machines are Indian manufacture on French models.

	Rs.
Buildings, ordinary and simple	25,000
Land	5,000
Engine and boiler and steam pump 20 N. H. P. about	10,000
40 threading machines, each machine 20 bobbins .	16,000
20 Lametta machines (see letter)	12,000
3 Lametta rollers polishing machines	600
8 Gilt thread re: winding machines	1,350
1 Gilding machine (capable of gilding 500 marcs per month)	800
1 Dynamo with metre board and wirings, 150×50 A .	1,200
Small reeling machines about 20	500
Shiftings, boarings, angles, pulleys and belt, etc. .	2,500
TOTAL	<u>74,950</u>



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THE INDIAN GOLD THREAD MILLS, LIMITED, PERAMBUR.

B.—ORAL.

Evidence of Mr. N. R. RANGACHARI, recorded at Madras on 3rd July, 1930.

President.—Mr. Rangachari, what is your position in the mill?

Mr. Rangachari.—I am the largest shareholder in the concern. I am not one of the Directors, but my father was a Director.

President.—Are you the Managing Director?

Mr. Rangachari.—I have been supervising the work and drawing a salary of Rs. 150 a month. I was called a factory Manager.

Dr. Matthai.—Was there anybody above you?

Mr. Rangachari.—The person above me was the Managing Director.

President.—You have given us a statement of works cost in which you say that with the present plant the cost comes to Rs. 27-8 per mark.

Mr. Rangachari.—Yes.

President.—The present output is 200 marks a month.

Mr. Rangachari.—Yes.

President.—In answer to one of the questions in the questionnaire you say that the economical unit of production would be 500 marks per month. I understood you to say that the present plant is not very well built, that is to say the threading machines produce a smaller output than the gilding plant can deal with.

Mr. Rangachari.—That is so.

President.—If you were to produce 500 marks, I suppose your cost could come down considerably.

Mr. Rangachari.—There might be a slight reduction.

President.—Let us go through the items one by one. The first item is cost of silver wire.

Mr. Rangachari.—Yes.

Dr. Matthai.—You might tell us what is the price of silver that you have taken into account.

Mr. Rangachari.—The price I have taken is As. 8 per tola and As. 4 for labour.

Dr. Matthai.—Is that the bazaar price at present?

Mr. Rangachari.—Yes.

President.—If you were to turn out more silver wire, would the cost of labour go down?

Mr. Rangachari.—It would be about the same. Drawing of silver wire is altogether a different business from the gold thread making. We only get silver wire from Benares direct.

President.—Actually did you draw silver wire?

Mr. Rangachari.—We tried it, but we found that the cost was prohibitive.

Dr. Matthai.—Have you got a machine for drawing silver wire?

Mr. Rangachari.—Yes, we have one machine.

Dr. Matthai.—Do you draw silver wire?

Mr. Rangachari.—We don't.

President.—All you do is flatten out the wire and make the silver thread.

Mr. Rangachari.—Yes. Drawing silver wire is a separate industry.

President.—You have drawn up this estimate on the assumption that you get your silver wire from Benares and the silver would cost you As. 12 per tola.

Mr. Rangachari.—Yes.

President.—You say “Importation of ready made silver threads from Benares and Surat were stopped owing to no profit”. I take it the position is this that as regards the flattening and twisting silver thread you are capable of turning out 200 marks, but your gilding plant can gild 500 marks. Therefore you are importing 300 marks of ready made silver thread.

Mr. Rangachari.—During the first two years, we used to make 200 marks of silver thread from our own factory and imported about 300 marks from Benares and Surat and gild them in our factory.

Dr. Matthai.—Then you found it was better for you to get your silver wire from Benares rather than to make it on your own machinery. If you had a machine which could make 500 marks of silver wire, you would have found it more profitable to make your own wire rather than to import from Benares.

Mr. Rangachari.—The wire drawing business even if we had a machine capable of turning out 500 marks would not be a paying proposition for this reason that labour here is very costly.

Dr. Matthai.—It comes to this that the most important raw material is silver wire, and so far as that is concerned, Madras is in a disadvantage position as compared with Benares.

Mr. Rangachari.—Yes.

Dr. Matthai.—If the gold and silver thread industry were started in India and if Government were to offer assistance, Benares and other places in Northern India would prove better centres of production than Madras.

Mr. Rangachari.—Only for silver wire.

Dr. Matthai.—That is the most important part.

Mr. Rangachari.—Yes.

President.—As regards the other part, you would be able to make more profits if you were an inhabitant of Benares, purchased this plant which **is in liquidation**, transported it to Benares and manufactured there owing to the labour being cheap there.

Mr. Rangachari.—The industry in Madras Presidency has been in existence for thousands of years. In Benares there is only wire drawing which is supplied from there not only to Madras, but also to Surat.

President.—Do you know how they are drawn in Benares?

Mr. Rangachari.—They are drawn successively in iron holes and then in ruby or diamond draw plates.

Dr. Matthai.—Supposing the bazaar price of silver was As. 9, would it necessarily mean that you could get your silver wire from Benares at As. 13.

Mr. Rangachari.—It will cost more.

Dr. Matthai.—Your cost of importing silver wire from Benares varies according to the bazaar price of silver in Madras.

Mr. Rangachari.—That is so.

President.—The next item is fine silk for gold threads. Is there any possibility of reduction under that item?

Mr. Rangachari.—No. I have estimated it at a very low price.

Dr. Matthai.—You apparently get your silk from Mysore.

Mr. Rangachari.—Yes, from Bangalore Government Silk factory.

Dr. Matthai.—You get your silk and do the dyeing here.

Mr. Rangachari.—Yes and twisting.

Dr. Matthai.—Where have you included the dyeing charges?

Mr. Rangachari.—Under fine silk for our gold thread.

Dr. Matthai.—Can you approximately say how much of this Rs. 9,600 represent the cost of raw silk? I don't want any exact figures.

Mr. Rangachari.—12,000 tolas of silk dyed (Raw Silk weight 15,000 tolas).

Dr. Matthai.—What price do you pay for the silk that you get from Mysore?

Mr. Rangachari.—I can't say it off-hand.

President.—Would you hazard a statement as to how much of this item of Rs. 9,600 represents labour, twisting and so on?

Mr. Rangachari.—The cost of dyeing and twisting is Rs. 15 per 3 lbs. of silk.

President.—If you were to increase your output to 500 marks, would not there be some reduction in the cost of dyeing and twisting?

Mr. Rangachari.—There will be some reduction.

Dr. Matthai.—What is the price of gold for gilding?

Mr. Rangachari.—A month ago we purchased pure gold at the rate of about Rs. 21 per tola.

Dr. Matthai.—These items (a) to (e) represent labour charges. If you increase your output to 500 marks a month there will be some reduction in those charges.

Mr. Rangachari.—There will be no reduction under 4 (a) and (b).

Dr. Matthai.—Why not?

Mr. Rangachari.—One man is needed for every machine.

Dr. Matthai.—How many twisting machines have you?

Mr. Rangachari.—15 machines.

Dr. Matthai.—Each machine can handle how much?

Mr. Rangachari.—One machine handles 12 tolas.

Dr. Matthai.—At present I understand your gilding machine can do about 500 marks more.

Mr. Rangachari.—Yes. Even if we have one threading machine, we must have one gilding machine.

Dr. Matthai.—How many hours do you work in your factory?

Mr. Rangachari.—From 7 to 12 A.M. and 1 to 5 P.M.

Dr. Matthai.—In 9 hours how much can you produce in one machine?

Mr. Rangachari.—About 8½ marks.

Dr. Matthai.—So that if you want to increase your output, you have to have a large number of machine. That applies also to twisting.

Mr. Rangachari.—Yes and flattening.

President.—Take the next item gilding and chemicals. There will be some reduction because your gilding plant is capable of turning out 500 marks a month. Will the reduction be about Rs. 100.

Mr. Rangachari.—We could do the gilding at Re. 1 per mark. There will be 50 per cent. reduction.

President.—Is there any reduction in skeining and reeling?

Mr. Rangachari.—There will be a proportionate increase.

President.—The last item engine driver and fireman, would that remain the same?

Mr. Rangachari.—There would be a nominal increase.

Dr. Matthai.—Steam power and fuel, would that remain the same?

Mr. Rangachari.—With an increase of Rs. 500 the capacity can be increased to 500 marks.

Dr. Matthai.—Oils, repairs, etc., will they remain constant?

Mr. Rangachari.—There will be an increase of about Rs. 1,000.

President.—Supervision and office charges will remain constant.

Mr. Rangachari.—There will be an increase of Rs. 900.

President.—Where will the increase come in? You are going to appoint more supervisors.

Mr. Rangachari.—More clerks will be needed.

Dr. Matthai.—Why do you want more clerks?

Mr. Rangachari.—Two clerks are necessary near the threading machine and also one clerk near the weighing department.

Dr. Matthai.—What is the clerks' business?

Mr. Rangachari.—Weighing and receiving. It is not possible to manage with the same staff.

Dr. Matthai.—How many clerks have you at each machine?

Mr. Rangachari.—At present we have two clerks, one in the threading department and one in the weighing department.

Dr. Matthai.—Would it be necessary for you to have two clerks in the threading section and two clerks in the weighing section if you raised your output to 500 marks?

Mr. Rangachari.—If the output is to be increased to 500 marks, I want three clerks in the threading department and two clerks in the weighing department. At the rate of Rs. 25, it would come to Rs. 900 a year for extra three clerks.

President.—Let us work out the figures:—

	Rs.
Cost of silver wire	72,000
Fine silk for gold threads	23,300
Gold for gilding	30,000
Flattening as lametta	3,600
Twisting lametta on silk	7,350
Gilding and chemicals	500
Skeining and reeling	3,000
Engine driver and fireman	540
Steam power fuel	3,500
Oils, repairs, etc.	1,000
Supervision and office charges	5,100
Watchman, gardner and lighting	1,200
	<hr/>
	1,51,090
	<hr/>

If you divide Rs. 1,51,090 by 6,000 marks, the incidence per mark would be about Rs. 25-6-3.

Mr. Rangachari.—Yes.

President.—In answer to question 38 (a) and (b) you say the total capital cost of a factory established at present would be about Rs. 30,000, Building Rs. 10,000 and plant and machinery Rs. 20,000.

Mr. Rangachari.—Yes. These are all country made machines on French models and ordinary simple building.

Dr. Matthai.—French machines if imported would be more expensive.

Mr. Rangachari.—Yes.

President.—If you were bringing in French machines, you would be able to turn out a better quality, wouldn't you?

Mr. Rangachari.—We could do as good a stuff as we could turn out on a French machine.

Dr. Matthai.—Who makes these machines?

Mr. Rangachari.—I have done them myself.

Dr. Matthai.—Are they made of steel or cast iron?

Mr. Rangachari.—Steel and wood. Spindles are all made of steel.

Dr. Matthai.—Have you got men in your factory who can do it?

Mr. Rangachari.—We engage fitters and make the machinery.

President.—You purchased a number of machines and had the advantage of copying those machines.

Mr. Rangachari.—Yes.

Dr. Matthai.—In the beginning you made your thread entirely on French machines.

Mr. Rangachari.—Yes.

Dr. Matthai.—Afterwards you began to make it on these Indian made machines.

Mr. Rangachari.—Yes.

Dr. Matthai.—Was there any difference in quality when you made them on Indian machines?

Mr. Rangachari.—There is some difference between French machines and Indian machines. The difference is in the machinery and not in the products.

Dr. Matthai.—Can we take Rs. 45,000 as the reasonable cost of establishing a new factory to turn out 500 marks a month?

Mr. Rangachari.—Yes,* with Indian machines on French models and buildings.

Dr. Matthai.—Depreciation on that we take at 6½ per cent.

Mr. Rangachari.—We must allow 10 per cent. depreciation. Machinery will have to work very fast and there will be breakdown.

Dr. Matthai.—Supposing we allowed you 10 per cent. as depreciation on machinery and 2½ per cent. depreciation on buildings and land, the average would be something less than 6½ per cent.

President.—You require a working capital of Rs. 37,500 or say Rs. 40,000.

Mr. Rangachari.—Yes.

President.—At the rate of 9 per cent. it comes to Rs. 3,600. Profit at 10 per cent. on Rs. 45,000.

Mr. Rangachari.—I want a profit of 15 per cent.

President.—For years you have declared no dividends.

Mr. Rangachari.—Even money-lenders get 12 per cent.

President.—Not industrialists. Tatas protection is based on a 7 per cent. basis. Why should Government pay 15 per cent.?

Dr. Matthai.—When we give you a certain rate of profit, what we mean is that is the minimum profit on which the industry can extend itself in the country.

Mr. Rangachari.—I shall be content with 9 or 10 per cent.

President.—10 per cent. profit amounts to Rs. 4,500. The total overhead charge is Rs. 10,475. Divided by 6,000 marks will give you the incidence per mark, Re. 1-12.

Dr. Matthai.—Your works cost comes to Rs. 25. Depreciation, interest on working capital and profit at 10 per cent. would come to Re. 1-12. If you get Rs. 26-12, it covers your works cost, covers your depreciation and working capital and profit.

Mr. Rangachari.—Yes.

Dr. Matthai.—How much commission do you actually give?

Mr. Rangachari.—We give 5 per cent. commission.

Dr. Matthai.—We have a statement from Messrs. Peirce Leslie and Co., that their real gold thread is selling at Rs. 40. If you were producing on an economic scale and according to your own admission, the economic

* The witness subsequently corrected it as Rs. 75,000.

scale is 500 marks a month, your fair selling price including your commission, traders' commission would come to Rs. 28 as against the foreign thread which is now selling at about Rs. 39 a mark including duty and you have an advantage of Rs. 11. Why do you want any protection?

Mr. Rangachari.—I have told you the other day that the weavers purchase only about 100 yards at a time. The difference between my price and that of the foreign thread is only very little when 100 yards are taken by the weavers.

Dr. Matthai.—You sell 100 yards at a time. That will come, taking Rs. 40 a mark, to As. 5 for 100 yards imported and for Indian As. 4.

Mr. Rangachari.—Yes.

Dr. Matthai.—Your contention is that in order to sell your thread, there must be a difference of at least one anna per 100 yards.

Mr. Rangachari.—At present there is a difference of only one anna per 100 yards between the foreign thread and the Indian made thread. The difference should at least be As. $1\frac{1}{2}$ to As. 2.

Dr. Matthai.—Why?

Mr. Rangachari.—In order to induce the buyers to buy Indian made thread.

Dr. Matthai.—They are buying Indian made thread.

Mr. Rangachari.—It is being sold, because it is offered at a loss. At present the foreign thread is sold at As. 4 per 100 yards. The Indian thread according to our calculation, we should sell at As. 3.

Dr. Matthai.—They are selling the stuff at As. 3.

Mr. Rangachari.—We have always sold it at Rs. 27 or Rs. 26. Rarely we sold it at Rs. 28.

Dr. Matthai.—The present market price is Rs. 30.

Mr. Rangachari.—We may sell it at Rs. 30, but there is no demand.

Dr. Matthai.—That is because you are not manufacturing.

Mr. Rangachari.—There is stock of thread and we can sell it if there is a demand.

Dr. Matthai.—At present the difference between your price and the price of imported thread is one anna per 100 yards.

Mr. Rangachari.—Yes.

Dr. Matthai.—If your thread was taken to the market here and was on show along with imported thread, if your price is lower by an anna, the purchaser would be inclined to buy your thread rather than foreign thread.

Mr. Rangachari.—Side by side with the imported thread in the market there is the thread made in Surat. Rs. 30 is the price of the Madras thread; Rs. 40 is the price of foreign thread and Rs. 23 for Surat thread. Customers would go in for Surat thread.

Dr. Matthai.—You said in answer to one of the questions that you suffered more from internal competition than from external competition. Do you mean you suffered from competition from Benares more than from foreign thread?

Mr. Rangachari.—We have to make a thread comparable to the foreign thread. For that we have to import foreign machinery. If we are to import foreign machinery and manufacture thread, it will have more shining appearance and people would go in for it. On the other hand if we are to do with country machine, Surat people will offer their thread at Rs. 23. We are between the devil and the deep sea. We can neither compete with the Surat manufacturer nor with the foreign manufacturer. Surat is more dangerous from our point of view.

Dr. Matthai.—Supposing Government decided to prohibit imports of Surat thread into the Madras Presidency, you will be able to go on with your factory.

Mr. Rangachari.—Yes.

Dr. Matthai.—There would have been no liquidation.

Mr. Rangachari.—No.

President.—There is difference in quality between foreign thread and your thread.

Mr. Rangachari.—There is no difference between the thread made in Madras and the thread made in France, but there is some difference in gilding.

President.—We have been informed that thread made in Madras doesn't wash very well, and the gilding comes off the silk.

Mr. Rangachari.—(Lace upper cloth sample shown.)

President.—Is it your own manufacture?

Mr. Rangachari.—Yes. In the case of Surat threads, that thing happens.

Dr. Matthai.—Some of the gilt has come off?

Mr. Rangachari.—It is six months old. It has been washed 4 or 5 times.

Dr. Matthai.—Another complaint that we heard is about the twisting. When you get it washed, the silver lametta comes off the thread.

Mr. Rangachari.—That kind of complaint can be levelled against Surat thread.

Dr. Matthai.—Your point is that the present difference of Rs. 10 between your price and the price of imported thread is entirely due to the fact that the foreign thread is more shiny than yours.

Mr. Rangachari.—Yes.

Dr. Matthai.—Can you tell me why it is that you are not able to gild your thread exactly like the foreign manufacture?

Mr. Rangachari.—It is because our labour is not sufficiently trained as not to touch the thread when it is being manufactured.

Dr. Matthai.—I take it you are using French machinery for gilding.

Mr. Rangachari.—Yes.

Dr. Matthai.—If you are using French machinery, then you must be able to do it more or less as French people do.

Mr. Rangachari.—Yes. From the lametta stage to the final stage, it should not be touched by hand. Our labourers sometimes touch it by hand and it is not shiny.

Dr. Matthai.—With a little more experience your workmen will be able to do it.

Mr. Rangachari.—Yes.

Dr. Matthai.—Suppose Government decided to protect this industry and then so arranged the prices that the foreign thread would sell at about Rs. 10 or Rs. 11 above your fair selling price, that would enable you to go on for a longer period and for your workmen to develop the necessary skill.

Mr. Rangachari.—There is the question of Surat. If there is no question of Surat, we would be able to do it.

Dr. Matthai.—What I am asking you is this: assuming for the time being that Surat thread is not being imported into Southern India at all, we have calculated that if you produce about 500 marks a month, the selling price of Rs. 28 in Madras would enable you to earn a reasonable profit. Therefore if Government decided to arrange that foreign thread would sell at Rs. 39, the customer would be prepared to buy Indian thread at Rs. 28.

Mr. Rangachari.—Government would find it difficult to enact a law by which they could say that no foreign thread could sell at less than Rs. 39, because there is the imitation thread.

Dr. Matthai.—Let us assume that Government is more resourceful than you suspect it to be. If foreign thread sells at Madras at Rs. 39, then I take it you are satisfied.

Mr. Rangachari.—Yes.

President.—Is Surat thread inferior to what you produce?

Mr. Rangachari.—Yes.

President.—In what particular way?

Mr. Rangachari.—The silver comes off and the silk is visible when washed.

President.—Then why is it able to sell: is it because its price is so low?

Mr. Rangachari.—It is only a question of price.

President.—People who buy French thread are those the class of persons who buy Surat thread?

Mr. Rangachari.—Most of the people who buy foreign thread won't go in for Surat thread.

President.—Is it because the thread is inferior?

Mr. Rangachari.—Yes, because the Surat thread is definitely inferior.

President.—Would you agree that so far as Surat thread is concerned if we were to increase the duty on imported thread it would not mean that the people who buy Surat thread would buy your thread because it is superior to Surat thread?

Mr. Rangachari.—If a sufficient prohibitive duty is put on foreign thread there will be an increased market for Perambur thread. People who patronise Surat will always go in for Surat.

President.—But people who patronise foreign thread, will they go in for Surat thread?

Mr. Rangachari.—People who now buy foreign thread will go in for my thread.

President.—So that roughly as I understand your case protection is needed in order to keep the gold and silver thread industry in Madras going but it is not necessary so far as the Surat manufacture is concerned.

Mr. Rangachari.—I would not say that. I have come here to represent my own case. The industry in Surat is run on cottage industry whereas my works is a Limited concern and in order to enable this company to carry on the business a sufficiently high rate of prohibitive duty should be imposed on foreign thread. Surat's case for protection is very much less than ours because it is run on cottage industry lines.

Dr. Matthai.—In what respect is Surat thread inferior to foreign thread? The difference between your thread and foreign thread is in respect of gilding?

Mr. Rangachari.—Yes.

Dr. Matthai.—The difference between foreign thread and Surat thread is that it is less shiny and the lametta comes off and the silk is visible. Is that correct?

Mr. Rangachari.—Yes.

President.—Does the same apply to Benares thread?

Mr. Rangachari.—In Benares it is more a wire drawing industry than gold thread industry. Moreover they are all thick threads.

Dr. Matthai.—The difference between your price and Surat price is Rs. 5 and the difference between foreign price and your price is Rs. 10?

Mr. Rangachari.—Yes.

President.—In your case the customer would be prejudiced not merely because the appearance of your thread is inferior but because your product is a new product in the market. You have got to establish your market connections and therefore there is always a certain amount of prejudice against a new concern.

Mr. Rangachari.—Yes, those are the difficulties. It is less shiny; it is a new concern and we have not yet made definite connections.

President.—Possibly the fact that Surat thread is recognized as definitely inferior attaches a stigma to your industry too. Because of the inferiority of Surat thread, the whole Indian industry suffers?

Mr. Rangachari.—Yes, that is so.

Dr. Matthai.—If the difference between your price and the Surat price is Rs. 5, I take it that difference in price represents the difference in quality and nothing else?

Mr. Rangachari.—Yes.

Dr. Matthai.—But the difference between your price and the foreign price represents not merely the difference in quality but the prejudice against you in the market?

Mr. Rangachari.—That is correct.

Dr. Matthai.—If we assume that the prejudice on account of quality is about Rs. 5 what is left, *viz.*, Rs. 5 represents the prejudice against you because you are a new concern trying to establish a reputation in the market.

Mr. Rangachari.—That may be so but there are persons in India who say now that there is a duty of 38 per cent. on foreign thread why not give us the difference of that duty?

President.—The wholesale dealer says "Government has put a duty of 38 per cent., why should the manufacturer get that present: give us 38 per cent. cheaper and we will buy your stuff". Is that what you mean?

Mr. Rangachari.—Not exactly that but they ask us that your price ought to be very much less.

Dr. Matthai.—What the dealer asks is that so long as foreign thread bears a duty of 38 per cent., between your thread and foreign thread there must be a difference corresponding to this 38 per cent.?

Mr. Rangachari.—That is the kind of argument they make.

Dr. Matthai.—Have you any kind of estimate as to the quantity of gold and silver thread which comes to Madras from Surat and Benares?

Mr. Rangachari.—That information can be had from dealers in Surat. But my impression is that even foreign importers are afraid of Surat.

Dr. Matthai.—Is the market considerably stocked with Surat thread?

Mr. Rangachari.—Yes.

Dr. Matthai.—More than the foreign thread?

Mr. Rangachari.—May be slightly more. There is a reason for this increased stock. Sometimes this handmade thread per skein is 3,500 yards in length.

Dr. Matthai.—Who are your agents?

Mr. Rangachari.—We sell through commission agents. Our agent is Mr. N. R. Kuppuswamy.

Dr. Matthai.—He is handling most of your thread?

Mr. Rangachari.—Yes.

Dr. Matthai.—Does he also deal in imported gold and silver thread?

Mr. Rangachari.—Yes.

Dr. Matthai.—And also Surat thread?

Mr. Rangachari.—Yes.

President.—What do you call lametta?

Mr. Rangachari.—Wire flattened is called lametta.

Dr. Matthai.—Is lamotta which is imported as such used in making gold and silver thread here?

Mr. Rangachari.—It is used for such things as garlands but it is never used for manufacturing gold and silver thread. Both silver and base metal lametta come from foreign countries.

Dr. Matthai.—In 1928 the total import of lametta in India was 5 lakhs of pounds.

Mr. Rangachari.—It must be mostly base metal lametta.

Dr. Matthai.—The average value last year of imported lametta is about Re. 1-8 per lb.

Mr. Rangachari.—That must be base metal.

Dr. Matthai.—Some people in Northern India and Surat and Benares have asked that the duty on imitation thread should be raised.

Mr. Rangachari.—That is because their thread is mostly sold in competition with imitation thread.

Dr. Matthai.—So far as you are concerned you don't want any increase in the duty on imitation thread, do you?

Mr. Rangachari.—It is good to have a duty on this also, although it does not matter to us very much.

Dr. Matthai.—There is no real competition between imitation and gold and silver thread?

Mr. Rangachari.—No.

President.—In answer to question 50, do you consider there are any features of the industry which are peculiarly suited to Indian conditions?

Mr. Rangachari.—In hot climate you gain in steam.

President.—Do you think there is considerable saving in steam making in hot climate?

Mr. Rangachari.—I think so.



नमो भगवते वासुदेवाय

Mr. B. J. G. Sastri, Government High School, Nadiad.

Letter dated 21st July, 1930.

I received the questionnaire with your No. 489, but did not reply, as at present, I am not in direct touch with a gold thread factory. But since you are likely to go to Surat, I might drop, as per accompaniment, a line or two which might interest you.

Enclosure.

A NOTE ON THE INDIAN GOLD THREAD INDUSTRY.

I do not know whether it is relevant, but I might note with your permission that I was the first person in India to take up seriously the question of the manufacture of gold thread in India with a view to oust the article imported from Europe. I began the research as early as 1910, and, with a few friends interested in it, started an experimental factory at Surat. There the various foreign processes and machineries were tried and adopted, with the result that during war time when the foreign articles became rare and very costly, the gold thread manufactured at Surat and Benares after the processes of the Surat factory came into its own. Its consumption has gradually increased with the result that at present broadly speaking $\frac{3}{4}$ of the requirements of the Indian market in *real gold thread* is supplied by the Indian gold thread and the foreign article serves only $\frac{1}{4}$ market. India does not as yet manufacture imitation gold thread in any appreciable quantity. The next stage in the development of the industry is, therefore, to manufacture superior type of real gold thread to supply that $\frac{1}{4}$ th market and to manufacture imitation gold thread. This matter is referred to below.

2. In 1922, the Bombay Government deputed me and the foreman of the Surat factory to investigate the manufacture of gold thread in Europe. My report re this investigation—*The Gold Thread Industry* by B. J. G. Shastri—has been published by Bombay Government, and can be had from the Government Printing Press, Bombay.

3. The Surat Factory—The Gauri Gold and Silver Works Co., as it is known—has withdrawn from the manufacture of gold thread for some time past for some trade reasons. But it is manufacturing silver wire according to the European method. This wire forms the basis of the gold thread. If your Board is interested in visiting the factory at Surat, you are welcome. It is at present run by my son. If I know when your Board proposes to visit the factory, I might ask the factory to arrange to show you over.

4. I would answer the following points of your questionnaire:—

48. The conditions are satisfied as under:—

- A. Yes. Raw materials—Silk and silver—are available as all over the world. What little power is required is not costly. Skilled labour is available in plenty. There is a large home market.
- B. This is so as the industry in its initial stages has to pass through an experimental stage which increases the cost of manufacture.
- C. When this experimental stage is passed, any special protection may not be necessary.

49. A. Yes.

B. Certainly.

50. A peculiar nature of the industry is its adaptability as a cottage industry, a form which is quite suitable to the nature of Indian labour.

56. In addition to the present revenue duty, I would propose a bounty to

Surat Gold Thread Merchants' Association, Surat.

A.—WRITTEN.

Letter dated 15th August, 1930.

On behalf of the Surat Gold Thread Merchants' Association, I beg to send herewith the answers to your questionnaire on the Gold Thread inquiry that is to be answered by manufacturers. As the Gold Thread Industry is mostly a cottage industry, the various processes of manufacture are carried on at various places and very often in the homes of the artisans. There is not a single factory where gold thread is manufactured from start to finish. Hence it is not possible for the small factories to reply to your questionnaire which is based on the assumption of the existence of such central factories. A joint reply by the manufacturers is, therefore, the best way to answer your questionnaire.

2. In this connection I might be permitted to observe that most of the manufacturers do not know English and are not conversant with the practices of big companies or inquiries like yours. So our answers might appear in some places to be incomplete or unsatisfactory. We shall try to make them clear in our oral evidence, but we want to assure you that they do not show anything but our ignorance of the right procedure. We hope you will kindly bear with us.

3. We want to state here that the gold thread industry is an ancient industry of this place (please see Mr. Shastri's Report); that it lost ground only for some time under scientific attack of the West, but has now been coming into its own. So it expects all the help possible from Government to establish it permanently. There is no economic reason why a single ounce of gold thread should be imported from foreign countries like France. Except scientific methods, which can be adopted at any time under favourable circumstances, there is not a single point in which this country is at a disadvantage as compared with her rivals. As against this she has the great and exceptional advantage of the local market.

4. We, therefore, are of opinion that the import of the foreign gold thread, real and half fine, should be stopped with a preventive duty of 200 per cent. as France has stopped with such duties the import of Indian laces, water silk cloth, etc., into her territories. Such practices will not be politically or morally wrong. Again there will be no economic objection to them, as they would not go against any other industry in the country or press heavily on consumers, who are not the poorest classes, as they can afford to buy such luxuries. We are quite sure any other country in the world would take this step under the circumstances of this industry. Moreover there is a difference of Rs. 15 less per cent. of our goods than French goods, and if the duty on French goods be reduced even slightly we would have to stop this business, as we are now-a-days doing this business at the least margin of profit, and so lacs of workers in India would be without employment.

5. In case such a suggestion cannot be adopted we would recommend an import duty of at least 65 per cent. instead of the existing 38 per cent. only to restore the *status quo* before the import duty of 25 per cent. on silver was levied and the exchange ratio changed from Rs. 1-4 to Rs. 1-6.

6. We have also recommended that Government be pleased to take all the steps necessary to put the industry on as efficient and up-to-date lines as in the West. Our suggestions are explained in detail in our answers at the proper place.

Enclosure.

Answers to Questionnaire.

1. There are only private firms in this line. There is no registered Company.

2. Different factories started work at different times. Most of the factories concerned with the gold gilt thread came into existence during the last 10 years.

(a) Gold thread from 250 to 2,500 yds. per oz.

(b) Gold and silver thread can be classified as under :—

(i) Silver or gold coloured.

Leaf coloured. Gilt in various shades.

(ii) Cotton or silk as the case may be.

(iii) Lengths from 250 to 2,500 yds. per oz.

(c) This thread can be classified under two main heads as coarse and fine. The coarse quality is used for embroidery, while the fine for weaving. Both the grades are used in almost equal quantities.

4. No imitation gold or silver thread is manufactured in India. The difference between the imitation and the real thread depends upon the metal used; that with silver is real; that with a baser metal (mostly copper) is imitation.

5. No definite answer is possible, as this representation is not from a single firm. Again, this is a cottage industry, and the article is not manufactured in any factory from start to finish, but different factories are engaged in different stages of the manufacture.

6. The answer is the same as in 5.

7. Cotton and silk thread, silver and gold and chemicals.

8. Cotton yarn and chemicals are foreign imports. Gold and silver is obtained from the local market.

Silk is locally manufactured from raw silk, native or foreign mostly.

9. The 1,200 yards variety contains $\frac{1}{4}$ part thread and $\frac{3}{4}$ part silver, and **some gold. For details please see Form II.**

10. Sufficient labour is available. All labour is skilled but not scientifically trained.

11. All labour is Indian. As the industry is mostly a home industry, almost all the members of a family, males, females and children, are engaged in the factory work. So no exact figures can be given as to their number. A male worker earns from As. 6 to As. 8 per day, while a female worker gets As. 5 to As. 6 per day.

12. Electric as hand power is generally used.

13. Electric power is obtained from the Town Electric Supply. Its rates are As. 2 and As. 3 per unit.

14 & 15. No; steam power is used.

16. The total consumption all over India can be put down as Rs. 1,25,00,000 of which India manufactures thread worth about Re. 1 crore, while remaining thread worth about 25 lakhs is foreign.

17. The markets are situated all over India.

18. None.

19. For real gold thread, please refer to 16. Imitation and half fine article is mostly foreign.

20. Yes. Please refer to official correspondence in connection with this in the year 1924, when the Indian budget contained a proposal to reduce the import duty of real gold thread from 30 to 15 per cent. in order, among other things, to check such illicit importation.

21. The foreign competition is 75 per cent. French; and 25 per cent. from other European countries.

22. (a) (i) Real containing pure silver.

(ii) Half fine containing some silver $1\frac{1}{4}$ per cent. (guaranteed).

(iii) Imitation without any silver.

(b) Please see 3 (b).

(c) Please see 3 (c).

(d) Mostly in fine thread and specially as regards real gold guilt thread varying from 1,200 to 2,200 yards per oz.

23. Half fine 1,000 to 1,200 yards varieties replace the Indian real varieties, 2,400 yards and finer.

24. Mostly from France and something from Germany and Italy and very small quantities from other countries.

25. Please refer to Government records. Current prices are approximately as under :—

	Foreign.	Indian.
1,200 yards cotton . .	Rs. 20 to 24	Rs. 17 to 20
1,200 yards silk . .	Rs. 30 to 38	Rs. 20 to 26
500 yards cotton . .	Not imported.	Rs. 11 to 15
2,000 yards silk . .	Rs. 33 to 42	Rs. 18 to 28
Imitation and half fine .	Rs. 1-4 to 7½	Not manufactured.

The other information will be available from importers of this article.

26. (a) Prices are likely to be remunerative.

(b) And must leave a fair margin.

(c) No.

27. (a) Yes, owing to customs duty.

(b) Yes, as no expert (scientifically trained) labour is available.

(c) Yes, as ordinary labour is not efficient.

(d) Yes, owing to customs duty on cotton thread and on silk, and on chemicals and on silver. The high duty on silver which comes to about 25 per cent. gives an advantage to the French manufacturers, which has not been corrected by increase of 8 per cent. in the duty on gold thread. This thread consists of 75 per cent. of silver; the duty on which will be 20 per cent. while the increase on the finished goods is only 8 per cent. So the foreign manufacturer has thus an advantage of 12 per cent. Besides he has an advantage of 12½ per cent. owing to exchange ratio being changed from Rs. 1-4 to Rs. 1-6. So from 38 per cent. he gets a deduction of about 25 per cent. and hence he has to pay only 13 per cent. duty, which is even less than what most other articles pay and an article of luxury should pay.

(e) Not much.

(f) Yes, duty on draw-plates is very heavy, so also is that on chemicals.

(g) Yes, as Indian capital is shy.

28. None is permanent.

(a) & (f) Can be remedied by Government at any time.

(b) & (c) Steps can be taken by Government to remedy them at any time.

(g) Can be remedied by co-operation and Government help in the form of capital, etc.

29. The imported article is superior in finish and hence fetches a higher price to the extent of at least Rs. 15 per bundle.

This superiority is not so much due to secret processes of manufacture as to the employment of up-to-date machinery and processes and scientifically trained workmen.

30. Figures may be obtained from Government records.

These duties may have restricted foreign imports to some extent, but have not given sufficient protection to the home industry. Figures of imports may be had from Government records, but figures of production are not available.

31 & 32. The question does not arise as this is a cottage industry.

33. Please refer to "The Gold Thread Industry" by Mr. B. J. G. Shastri. The process will be shown on the spot.

34. Our machinery and equipment are not sufficiently up-to-date to enable us to compete with the most efficiently equipped foreigners.

35. Same as 33.

36. Except electrical accessories, almost all machinery is Indian made.

37-39. These questions do not arise, as this is a cottage industry.

40. Form No. 2 is filled up.

41. No definite figures are available, but owing to curtailment of demand or depression in trade factories do not work full time and then overhead and labour charges, which cannot be curtailed, lead to a loss.

42. No special grievance, except that facilities should be given to carry over the loss of one year to the next. Looking to the special nature of the industry an all-round depreciation of 25 per cent. is desirable on machinery.

43. No definite figures can be given, this being a cottage industry.

44. Same as above. Generally 6 months from the purchase of raw materials.

45 & 46. Same as 43.

47. 10 per cent.

48. The conditions are satisfied as under:

(A) What little power is required is not costly. There is abundant supply of labour. There is a large home market. As regards raw materials, cotton and silk are available weekly. If they are imported it is simply because of want of facilities to manufacture the finished products from them.

(B) Protection is necessary as the industry has not as yet passed through the experimental stage. It has still to improve its machinery and process and to organise its capital and labour. It has also to pay a high tariff on its raw materials like silver, cotton thread, draw-plates, chemicals, etc., and to undergo a disadvantage in competition on account of the exchange ratio at Rs. 1-6.

(C) Yes, it should in due course.

49. (a) It is so, as it is proved by the cheapening of ratio of job work in big factories.

(b) The Indian manufacture has already captured 75 to 80 per cent. of the market; with proper facilities the remaining market can be captured.

50. The industry can be adopted as a cottage industry, a form which is quite suitable to the nature of Indian labour.

51. (a) Please refer to 27. The protection does not come to more than 13 per cent.

(b) To the extent of about 3 per cent.

52. We would have preventive tariff, if possible. There is no reason why India should not supply all her needs, to do which she will have to be taught to manufacture the articles at present imported, i.e., superior quality of gold thread worth about Rs. 25 lacs and half fine and imitation goods worth about Rs. 10 lacs. The manufacture of these goods of 35 lacs will give sufficient work for the people engaged in this industry.

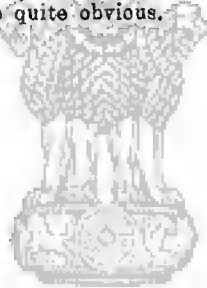
Such a request can also be supported by the consideration of reciprocity. France has prevented Indian goods, like trimmings, billions, galleons and water silk cloth, etc., from entering French territories by levying duties up to 200 per cent. Why should India not retaliate by imposing a similar duty of 200 per cent. on French gold thread and cotton allied articles entering India? Any country would take such an obvious step. But if a preventive duty is out of question, we would recommend a protective duty of at least 65 per cent. to give the Indian manufacturer the same protection that he had before the duty on silver was levied and the exchange ratio was changed to Rs. 1-6 from Rs. 1-4. For calculations please see 27.

53. On all imports.

54. We would also recommend a bounty of 25 per cent. on the manufacture of articles of the same quality as that imported at present, i.e., Real Gold Gilt Thread of superior quality and half fine and imitation goods.

We would also recommend that steps be taken to put the industry on up-to-date lines and to expand its market in foreign countries like America. In this connection, we would support Mr. Shastri's plea (see his Report) for the starting of Research Institution or a Demonstration Factory or grants to Research workers.

55. The protection or preventive duties recommended will leave nothing but beneficial effects on other industries using gold and silver thread. For these industries will be induced to use Indian article almost of the same quality at a much reduced cost as in the case of real gold thread or at not any unduly enhanced cost in the case of the substitution of the half fine thread by the real thread. In the latter case a slightly enhanced cost is counterbalanced by the fact that the real thread is used which will more than counterbalance it as it would recoup a part of the cost when the article becomes unservicable and the silver and gold are regained on melting the lace. So the duties recommended in no way be a handicap to the weaver who uses the foreign article or an injustice to the consumer using the article at present woven with foreign gold thread. Besides the duties will enable a very large class of people using the foreign article to be Swadeshi in their outlook, and make them consume the articles of gold thread more by keeping so much money in the country. Their beneficial effects on the industry of gold thread manufacture are quite obvious.



सत्यमेव जयते

Evidence of Mr. B. J. G. SHASTRI, representing the Surat Gold Thread Merchants' Association, recorded at Surat on Monday, the 1st September, 1930.

B.—ORAL.

President.—Mr. Shastri, you are representing the Gold Thread Association?

Mr. Shastri.—Yes, the Surat Gold Thread Merchants' Association.

President.—You are authorised to speak on their behalf in every respect?

Mr. Shastri.—Yes.

President.—You have been connected with the Gold Thread Industry for quite a number of years?

Mr. Shastri.—Yes.

President.—For how many years?

Mr. Shastri.—I should think for the last 20 years.

President.—During the course of your connection with the industry you have undertaken at the request of the Bombay Government to investigate the conditions in Europe?

Mr. Shastri.—Yes.

President.—As a result of your investigations in Europe the increase in Gold Thread Industry in Surat has been great during the last ten years?

Mr. Shastri.—I should think so, though it would be presumptuous on my part to say so.

President.—As a result of your visit to Europe a large number of machines have been introduced?

Mr. Shastri.—Yes, new methods and new machinery have been introduced and that has increased the trade to a very great extent.

Dr. Matthai.—How long were you in Europe?

Mr. Shastri.—8 months.

Dr. Matthai.—You visited France and Germany?

Mr. Shastri.—Yes, and also England. In England there is very little of this trade. This trade is mostly confined to France and Germany.

Dr. Matthai.—Lyon is the big centre?

Mr. Shastri.—Yes.

Dr. Matthai.—How long were you there?

Mr. Shastri.—I was there for 1½ months. Nürnberg is the other centre.

President.—We want to ascertain the progress of the industry in the last 10 or 15 years and we have certain figures here which were supplied by the Bombay Government to the Government of India. We would like your opinion on that generally. The Bombay Government gives the average production of gold thread in Surat as follows:—

	Lakhs.
1916-21	5
1921-22	10
1922-24	25
1924-25	20

These figures refer to the position of the industry up to 1926.

Mr. Shastri.—Yes.

President.—And comparing the present output with this estimate, it would appear that there has been a very large increase during the last 5

years, an increase which if the estimate of one crore is going to be accepted would be difficult to explain. I understand from what you were saying yesterday that these figures probably referred to the drawing of fine gold thread.

Mr. Shastri.—Yes.

President.—So that we might multiply these figures by 2 in order to get an estimate of the production of those years of the total quantity of both coarse and fine thread?

Mr. Shastri.—The estimate of one crore of rupees worth of gold thread at present or during the last two or three years is not for gold thread at Surat only. It is for gold thread all over India and that includes about Rs. 35 lakhs worth of gold thread at Benares.

President.—You would put the present output at how much?

Mr. Shastri.—65 lakhs both coarse and fine.

President.—From these figures it appears that during the last 4 years there has been an increase of about 50 per cent.

Mr. Shastri.—Yes.

President.—As regards the number of hands employed that would be in proportion?

Mr. Shastri.—Yes.

President.—To what do you attribute this considerable increase in output in the last four years? What are the main causes?

Mr. Shastri.—I think the most principal cause is the increase in demand and secondly the 30 per cent. duty.

President.—The increase in demand is accounted for very largely as a result of the lowering in price of gold thread?

Mr. Shastri.—Yes.

President.—In 1920 the price of gold thread was somewhere in the neighbourhood of Rs. 50 a marc, whereas it is now Rs. 20 to Rs. 25. In 1920 the price of half fine imitation gold thread was Rs. 28 a marc, so that a portion of the market which was using half fine imitation gold thread is now able to afford real gold thread. Meanwhile the import duty of 30 per cent. has prevented the foreigner from sharing in this increase in the market.

Mr. Shastri.—Exactly.

President.—It has not enabled the Indian manufacturer to capture the entire market formerly held by the foreigners. That is the position?

Mr. Shastri.—Yes.

Dr. Matthai.—On these Government figures there is a slight decline in 1924-25 as compared with the average of 1922-24. Now as regards fine thread it is a fall of about 5 lakhs, nearly 20 per cent.

Mr. Shastri.—What did they put down?

Dr. Matthai.—20 lakhs in 1924-25 as compared with the 25 lakhs in the previous year.

Mr. Shastri.—I think these figures are mostly approximate. But if there is a fall like that it might be due to the over-production in the previous year. I believe that the average production for these years would be about 20 lakhs fine and about 20 lakhs coarse. During the last five years this average production has gradually increased by 50 per cent.

Dr. Matthai.—That is to say if you took your average production on a basis of, say, five years instead of one year or two years, you might find the figure of 20 lakhs right?

Mr. Shastri.—Yes.

Dr. Matthai.—Then you put the proportion between fine thread and coarse thread at roughly 50 to 50?

Mr. Shastri.—Yes.

President.—The coarse thread is all used locally?

Mr. Shastri.—Yes, and it is exported also to Delhi and up-country places.

President.—Roughly speaking one may say that coarse thread is used in the north and west of India and fine thread in the south of India?

Mr. Shastri.—Yes.

Dr. Matthai.—Could you give us an idea of the data on which you based the estimate of production of 40 to 50 lakhs?

Mr. Shastri.—I believe I was consulted in the year 1924 and we did go into some sort of figures based upon the number of merchants doing the business, the amount of business they did and the number of spinning and winding machines.

Dr. Matthai.—Is it based mainly on the number of machines and the capacity of the machines?

Mr. Shastri.—Yes. The total consumption of silver for this embroidery goods in Surat is about Rs. 1,20,00,000. Out of this about Rs. 60,00,000 would go to spangles, spirals and all the other things that you saw yesterday. There is no competition so far as spangles and spirals are concerned. We don't get real things from foreign countries.

President.—As regards the import of real gold thread from foreign countries, as I have already told you, so far as we can ascertain from the Customs Department the import into Bombay of real gold thread has practically ceased.

Mr. Shastri.—Yes.

President.—Rs. 25,000 a year is the figure we were given by the Customs. The position is far otherwise in Madras where the licit imports—we haven't got the exact figures, judging by the figures given by Messrs. Peirce Leslie—would not be less than 12 lakhs. You might add another 9 lakhs for the smuggled gold thread. So the imports into Madras are still substantial. What is the reason you would give for the continued import into Madras of French gold thread?

Mr. Shastri.—The principal reason is that the imported gold thread is mostly used in the manufacture of high class goods.

President.—Where are those manufactured?

Mr. Shastri.—They are manufactured in the east of Madras, that is Kumbakonam, Conjeeveram, Tanjore.

President.—It is in those places that the imported thread is mostly used?

Mr. Shastri.—Yes, and in the other places like Dindigul, Salem and Coimbatore it is used to a smaller extent. A large quantity of Indian thread is used and a small quantity of foreign thread is mixed and used. If they are using 10 threads 8 will be Indian and two will be foreign. If the warp is Indian then the weft will be foreign.

President.—For these high class goods the Indian gold thread is not suitable?

Mr. Shastri.—No. The weavers think that it is not suitable.

President.—What is the reason? In what way does it fall short of the imported thread?

Mr. Shastri.—There are two reasons; the first is the finish is not as good as the foreign article and secondly the silver on silk comes off more readily in the case of the Indian thread than in the case of the foreign thread.

President.—As regards this question of silver coming off, I understand the difficulty as far as the Indian manufacturers are concerned is this: when the wire is put through the flattening course, according to Indian practice it is elongated to a far greater extent than is the case in France, is that correct?

Mr. Shastri.—Yes.

President.—So that the lametta resulting in the flattening of the wire is extremely thin?

Mr. Shastri.—And very weak.

President.—And therefore it won't stand the strain of washing?

Mr. Shastri.—Yes, and even weaving. Secondly the Indian machine for spinning this lametta on silk is rather defective. It doesn't give as fast a twist as the French machine.

President.—It doesn't fit so closely as the French machine?

Mr. Shastri.—Yes.

Dr. Matthai.—Is that a difference in the machine or a difference in the way it is worked?

Mr. Shastri.—That is due to the difference in the machine.

Dr. Matthai.—What is the difference?

Mr. Shastri.—There is that spinning wheel and on the spinning wheel in the French machine or in the foreign machine there is an arrangement which will exert greater pressure than in the Indian.

Dr. Matthai.—It sticks to the thread much better?

Mr. Shastri.—Yes.

Dr. Matthai.—But then twisting is the part of the manufacture which requires probably the greatest skill?

Mr. Shastri.—Yes.

Dr. Matthai.—Therefore if you assume that the French workman is more skilled then it would follow that apart from the machine, the way in which the thing is worked might also have something to do with it.

Mr. Shastri.—Certainly he is a better worker and produces a better article.

Dr. Matthai.—I am trying to suggest this point for this reason that supposing the industry is protected and under the protective duty you are able to produce more and more of this high class thread for use in Madras, it may be assumed that in course of time the Indian workmen may develop the same amount of skill and may be able to work up to the same standard of excellence, but if there is something inherent in the machine the case may be different.

Mr. Shastri.—The machine can be adapted to that pattern. It would not be difficult.

Dr. Matthai.—It would mean having an entirely different type of machine?

Mr. Shastri.—No, on this machine if the spool is changed, then it will give better result.

Dr. Matthai.—You have visited the Perambur factory. We were told that the Perambur twisting machines were based more directly on the French model than the machines here. What was your impression? Were they able to do the twisting better?

Mr. Shastri.—At Perambur the workmen were not so competent, but the machine was better than here. My idea of the Perambur factory was that they did not turn out much of their own gold thread with their machines.

Dr. Matthai.—But they imported Benares wire?

Mr. Shastri.—Yes, and even Benares silver thread.

Dr. Matthai.—Simply they did the gilding?

Mr. Shastri.—Yes. The Benares spinning is altogether in the reverse direction. Here in Surat they spin clockwise and those people spin in the opposite direction. Our experience is that Benares spinning is looser than that of Surat and much looser than that of foreign thread.

President.—The second reason is the quality of the silk thread on which the lametta is twisted?

Mr. Shastri.—Yes.

President.—That is to say the silk used in the Indian factories is more uneven?

Mr. Shastri.—Yes, and of a very much lower quality.

President.—So that the twist is not so regular in the Indian factories as in the French factories?

Mr. Shastri.—Yes. The article manufactured is not as supple as the foreign article.

President.—As regards this elongation of the wire, if one had to produce gold thread of the quality which is imported from France it would be necessary first of all to elongate your wire in the flattening process to a less extent. That would imply more silver.

Mr. Shastri.—Yes.

President.—That again, if you are going to get the thread of the requisite fineness, would imply that the silk on which it is twisted must be much thinner. That would mean more care would have to be taken in spinning up the silk and probably the silk would cost a good deal more.

Mr. Shastri.—Yes.

President.—So that the cost to the manufacturer in India producing the class of gold thread competing with the French would be more?

Mr. Shastri.—The quantity of gold used would be more because the quantity depends upon the quantity of silver. We have got a certain amount of surface of silver to be coloured with gold. If the silver is less, the gold required is less. If the silver is more, the gold required is more.

President.—One of the main directions in which the manufacturer is going to incur greater cost would be that he would have on his thread a greater proportion of silver. Instead of having 70 per cent. he might have 80 per cent.?

Mr. Shastri.—Yes.

President.—Secondly his silk will have to be finer and will cost him more. These are the two main directions?

Mr. Shastri.—Yes.

President.—Thirdly more care would have to be taken in spinning?

Mr. Shastri.—Yes.

President.—Those would be the three directions, more silver, more expensive silk and probably more wages for the labour or for the skilled labour?

Mr. Shastri.—Yes.

Dr. Matthai.—Then as regards silk if you wanted to produce a quality quite as good as imported, probably you would have to get silk of a different kind from what you could raise in India. Even the best kind of silk you get from Kashmir would not be quite equal to imported silk?

Mr. Shastri.—I have neither gone into this question, nor have I experimented in this line. My impression is that Kashmir silk is quite good if it is properly treated. That is to say according to the latest scientific methods and with the best machines available which are capable of giving us the silk that would be required.

Dr. Matthai.—Where would the treatment take place, here or in Kashmir?

Mr. Shastri.—Here.

Dr. Matthai.—You get it raw from there?

Mr. Shastri.—Yes, and then it is boiled. The whole process of making the thread from raw silk is done here.

Dr. Matthai.—A great deal of improvement is possible in this direction?

Mr. Shastri.—I should think a great deal of improvement is possible and Kashmir silk has got a very good promise in that direction. Till I saw the Kashmir silk I thought we would have to import the silk from France for this purpose, but I find now that Kashmir silk would perhaps be useful to us for this purpose when it is properly treated.

Dr. Matthai.—Supposing you imported your silk yarn from France, it would be more expensive?

Mr. Shastri.—Yes, it would be 50 per cent. more expensive.

Dr. Matthai.—Than the raw silk from Kashmir treated here?

Mr. Shastri.—At present my experience is that if we don't go in for manufacturing silk yarn here and if we depend upon imported silk from France, Germany or any other country as we do in the case of cotton yarn—at present we are getting cotton yarn from outside as our mills here are not able to produce the right sort of cotton yarn—then it would be 50 per cent. more expensive than the silk at present used in the manufacture of gold thread.

President.—Another direction in which the Indian manufacturer is deficient is in the dyeing of the thread?

Mr. Shastri.—Exactly. The silk is not dyed as fast as it should be.

President.—So that when the thread goes through the gilding process, the colour runs?

Mr. Shastri.—Yes. Then, there is another defect that the colour gradually fades even after it comes out of the bath. If the bundle remains for some time, then there is deterioration in the colour.

President.—That affects the colour and possibly the gloss too?

Mr. Shastri.—Yes.

President.—The defective gloss is mainly the result of handling?

Mr. Shastri.—Yes. It is also due to the defective process of electric gilding. This should be done in the most cleanly way with the cleanest type of materials to which our people have to be trained.

President.—This is another direction in which the Indian thread is deficient, the deficiency in lustre resulting partly from insufficient care being taken in the electric gilding process and partly from handling during the previous processes?

Mr. Shastri.—Yes.

Mr. Gandhi.—Should not a demonstration factory which would bring to the Indian manufacturer the recent processes in France or any other foreign country be of great help in this direction?

President.—That of course is a matter which should be taken up with the local Government. We might only make a recommendation.

Mr. Shastri.—We would request you to make that recommendation.

Dr. Matthai.—Your suggestion is that along with protection, the industry should be organised on the basis of a demonstration factory?

Mr. Gandhi.—Yes.

President.—Have you got Form I costs?

Mr. Shastri.—Yes (handed in).

Dr. Matthai.—This is 1,200 yards to an ounce?

Mr. Shastri.—Yes.

Dr. Matthai.—This is spun on cotton thread?

Mr. Shastri.—Yes. For silk thread, you might add six annas to the labour costs. The costs have been calculated per ounce.

President.—What would be the cost of 1,600 yards? How would that compare?

Mr. Shastri.—We don't manufacture 1,600 yards.

President.—Nor 1,800?

Mr. Shastri.—No.

President.—What do you manufacture?

Mr. Shastri.—2,000 yards and above.

President.—1,200 is the figure next below 2,000?

Mr. Shastri.—Yes.

President.—Let us take 2,000 yards. The first item in the costs is silver.

Mr. Shastri.—Shall we take extra deep common gold thread manufactured here?

President.—Yes.

Mr. Shastri.—75 per cent. will be silver and 25 per cent. silk. How shall we calculate—per ounce or what?

Dr. Matthai.—Per ounce of gold thread.

Mr. Shastri.—Yes. We have been able to arrive at some figures. We shall take the figures of the manufacturer whose gold thread is considered to be the best. For the inferior quality we shall make the necessary deduction from these figures and for the superior quality we shall make the necessary additions. As I say, this is the intermediate quality between the poorest and the best made here.

Dr. Matthai.—This is 2,000 yards to an ounce, extra deep?

Mr. Shastri.—Yes.

Dr. Matthai.—Is this the medium quality?

Mr. Shastri.—No, it is the special quality.

President.—Better than the ordinary quality but not equal to the imported French thread?

Mr. Shastri.—Quite so.

Dr. Matthai.—Taking the ordinary kind of 2,000 yards gold thread that you make here and the common kind of superior that is imported this would be a sort of medium?

Mr. Shastri.—Yes.

President.—Let us take the costs in tolas and from tolas we will make them into marcs.

Mr. Shastri.—

	Rs. A. P.
Silver— $\frac{3}{4}$ tola	0 5 9
Silk thread— $\frac{1}{4}$ tola @ 12 annas a tola	0 3 0
Wire making charges. (We get it from Benares and this includes freight, postal charges, etc.)	0 2 0
Flattening charges	0 0 5
Spinning charges	0 3 6
Gilding (including gold, labour, power, etc.)	0 5 0
Wastage	0 0 9
Office staff and supervision. (This really represents head office and trade charges)	0 0 6
TOTAL	1 4 11

I think for the facility of calculation we can make it Rs. 1-5-0 and then multiplying it by Rs. 21 we get a figure of Rs. 27-9-0. This will fetch a price of about Rs. 29. If we want to sell it at Rs. 31 we shall have to make a selection and separate the inferior portion of the gold thread from the superior.

President.—Let us find out first what would be the cost of ordinary gold thread 1,200 yards.

Mr. Shastri.—It varies from Rs. 13 to about Rs. 23, and Rs. 23 is for the highest quality. The quality that sells for Rs. 18 will contain very little gold and will be inferior in all respects. We might take the average of this. But this is what it costs me to manufacture and if I were to sell it as it is, I will sell it at about Rs. 29, at the present duty.

President.—Taking the ordinary gold thread, that is to say gold thread which fetches Rs. 18 to Rs. 24, what would be the cost under the various items? Can you give us that?

Mr. Shastri.—For the lowest quality, most inferior Indian made of 2,000 yards.

President.—Silver would be 63 per cent.

Mr. Shastri.—67 per cent.

	As.	P.
Silver	5	3
Silk	2	0
Wire making charges	1	6
Flattening charges	0	3
Spinning	2	3
Gilding	0	9

It contains a nominal quantity of gold.

President.—What would be the percentage?

Mr. Shastri.—About 1 per cent.

	As.	P.
Wastage	0	6
Office staff and supervision	0	6

The total comes to As. 13. For 21 tolas it comes to Rs. 17-1-0. Now it sells at Rs. 18. It would have to include the postal charges and other things.

President.—What do you estimate the postal charges at?

Mr. Shastri.—About As. 3.

Dr. Matthai.—That would be the same in both cases.

President.—Are there any other charges?

Mr. Shastri.—They will have to pay a selling commission. That varies from As. 6 to As. 12. Probably in this case it would be As. 6.

Dr. Matthai.—In the other case it is As. 12?

Mr. Shastri.—Yes.

President.—As. 12 a marc?

Mr. Shastri.—Yes.

President.—And the postage is As. 3?

Mr. Shastri.—Yes. The total comes to Rs. 17-10-0. This I think will sell at Rs. 18 and will leave a margin of As. 6.

President.—So far we have got only works costs. There are certain other charges, e.g., overhead charges, interest on capital, depreciation and so on.

Mr. Shastri.—They haven't got much of machinery.

President.—What is Mr. Nathubhai's annual output?

Mr. Shastri.—Rs. 1,50,000.

President.—How many tolas would that be?

Mr. Shastri.—About 1,00,000 of tolas.

President.—Could you give us any sort of estimate as to the cost of machinery he has installed?

Mr. Shastri.—You have seen the machinery.

President.—The rent of his house has already been included in the statement?

Mr. Shastri.—I think so.

President.—What does the machinery cost?

Mr. Shastri.—It is included in the cost of gilding—As. 5.

President.—Then may we take it that this is complete. It includes depreciation and profit?

Mr. Shastri.—Not profit. This is the cost.

Dr. Matthai.—This is both works cost and overhead?

Mr. Shastri.—Yes.

Dr. Matthai.—We will have to determine the profit.

Mr. Shastri.—Yes.

President.—What sort of investment has he got in this business?

Mr. Shastri.—About Rs. 60,000.

President.—That is what we call working capital.

Mr. Shastri.—Yes.

President.—Let us take Rs. 70,000 with Rs. 10,000 for his machinery.

Mr. Shastri.—Yes.

President.—Let us allow 10 per cent. and give him Rs. 7,000.

Mr. Shastri.—Yes, but I don't think he will get Rs. 7,000.

Dr. Matthai.—Allowing 10 per cent. on Rs. 70,000 and assuming a lakh of tolas a year as the output, that means practically an anna per tola as the profit. That would be Rs. 1-4-0 per marc. The total comes to Rs. 29-12-0.

President.—That is what we call fair selling price.

Dr. Matthai.—That is delivered in Madras.

Mr. Shastri.—Yes.

President.—Let us see what alterations would be required to bring his gold thread to the finish of the French thread and that is the crux of the matter.

Mr. Shastri.—Yes. There is one thing which my friend tells me. He has not included the interest which he has himself to pay on Rs. 70,000.

Dr. Matthai.—When you allow Rs. 7,000 it is included in that.

Mr. Shastri.—Supposing he has got no money of his own, he will not get it for less than 6 per cent. 6 per cent. would be the most liberal term on which he would get the capital. Otherwise some people might have to pay even 9 per cent. I suppose even the ordinary merchants will have to pay 9 per cent. So if we take 6 per cent., his margin of profit only remains at 4 per cent. When we take 10 per cent. it is not a liberal margin.

President.—But we have added another Rs. 10,000. He says that he has only invested Rs. 60,000, whereas we have taken it at Rs. 70,000.

Mr. Shastri.—You may take Rs. 60,000. That won't make much difference.

Dr. Matthai.—Supposing he borrowed the capital he would get at 6 per cent. In addition to that he wants some profit for himself. What would be the approximate rate that he would like to be allowed?

Mr. Shastri.—He would not expect more than 4 or 5 per cent.

Dr. Matthai.—That comes to 11 per cent.

Mr. Shastri.—Ten per cent. will meet the case in this way—6 per cent. interest and 4 per cent. profit. The rate of profit is not as high as 10 per cent. The profit is only about 4 per cent. He will consider himself a lucky man if he gets 4 per cent. profit. Very few people get 4 per cent. On the other hand, some of them even lose. If a man does a business of Rs. 1,50,000 he might be earning Rs. 1,000 or Rs. 1,200.

Dr. Matthai.—You would admit that if we allowed you 10 per cent. on the whole capital, that would be a fair allowance.

Mr. Shastri.—Yes: at least he would not be losing money. In the present circumstances it is considered a fair profit to him.

President.—Let us get to the question of bringing the Indian thread to the quality of the imported thread.

Mr. Shastri.—Before we take up that question, there is another point I want to put before you. In these figures, the gentleman whose costs we have taken says that no provision has been made for his own pay. He does supervision work.

President.—I thought it was included under supervision.

Mr. Shastri.—No. If he is a *burra sahib* and wants to engage a manager, he would probably have to pay Rs. 1,000 or Rs. 1,200. I myself would not take up the job for less than Rs. 800.

Dr. Matthai.—For example if he was a manager of an industrial concern of this size what would he get for his managerial work?

Mr. Shastri.—He might expect a salary of about Rs. 200 a month. That will come to Rs. 2,400 a year. I think that the 4 per cent. will cover that.

Dr. Matthai.—Does he suggest that there ought to be any addition to the 10 per cent.? We are allowing 6 per cent. for the money he has to borrow. On top of that, we are allowing a margin of 4 per cent. to cover profit in the real sense. Then, in addition to that, he wants about Rs. 200 a month to cover remuneration for managerial work—is that the position? Supposing we allowed 6 per cent. on his capital and in addition to that allowed him Rs. 200 a month, would that represent his position more accurately?

Mr. Shastri.—That would represent his costs and whatever is left will be his profit. Profit must include also some insurance for lean years or lean times, that is when the factory is not working at full strength. This is on the assumption that the factory works at its full capacity.

President.—What we usually do is to take a figure on the total investment. But there is very little investment in this case.

Mr. Shastri.—My submission is this. Supposing his sale comes to Rs. 75,000, even then he has to pay all the charges—his permanent men, his own Rs. 200, interest at the rate of 6 per cent. on Rs. 70,000, etc. My idea is that in that 4 per cent. we have also to make allowance for some reserve fund which might help him over lean years: that is to say, the 4 per cent. margin of profit is too small for an industry like this.

President.—Supposing instead of 10 per cent., take a somewhat higher rate, would you agree? We have allowed 10 per cent. on Rs. 70,000 which comes to Rs. 7,000. Supposing we add Rs. 2,000 and make it Rs. 9,000 to cover everything, would you consider that fair?

Mr. Shastri.—I don't understand what line you are taking. As a matter of fact, they don't make this profit.

Dr. Matthai.—What we are trying to get at is what would be the fair selling price for the Indian manufacturer—the amount that he ought to get, not that he actually gets?

Mr. Shastri.—In that case, I will put it this way. I will include all the possible charges and then say that a profit of 10 per cent. excluding all the charges will be a fair return in a line like this.

Dr. Matthai.—10 per cent. on what?

Mr. Shastri.—10 per cent. on investments. It will include all the risks that the manufacturer takes, *viz.*, silver price changing, silk price fluctuating and so on. We have not provided for lean years and such things. These also will be covered.

Dr. Matthai.—Is that the usual trade practice? Is it the suggestion that we should allow a margin of 10 per cent. on the prices realised?

Mr. Shastri.—In the present case, we have taken the investment at Rs. 70,000. If you take the interest at 6 per cent., it will come to Rs. 4,200,

and for the managerial work it will be another Rs. 2,400. The total comes to Rs. 6,600. Then, add to this Rs. 7,000 more for profit at the rate of 10 per cent.

Dr. Matthai.—On what?

Mr. Shastri.—On the sale of 1 lakh of tolas of gold thread or on the sale proceeds of Rs. 1,50,000.

Dr. Matthai.—Rs. 7,000 would be how much percentage?

Mr. Shastri.—What I say is that over and above the costs he has calculated, the profit should be Rs. 7,000. On his business, the manufacturer ought to make Rs. 13,600. That will leave him, excluding interest and managerial remuneration, a net profit of Rs. 7,000.

Dr. Matthai.—Supposing the money is borrowed, on Rs. 60,000 he has got to pay 6 per cent. which comes to roughly Rs. 4,000.

Mr. Shastri.—Yes.

Dr. Matthai.—How much would the Rs. 4,000 come to per marc?

Mr. Shastri.—I will ask you to include Rs. 2,400 as managerial charges.

Dr. Matthai.—As part of the regular charges?

Mr. Shastri.—Exactly. Then, it will come to Rs. 6,400 for one lakh of tolas of gold thread.

Dr. Matthai.—If you take it at about Rs. 6,400, it would come to about Rs. 29-8 per marc.

Mr. Shastri.—About that.

Dr. Matthai.—Then, your suggestion is to add Rs. 7,000 which comes to Rs. 3 per marc.

Mr. Shastri.—About that.

Dr. Matthai.—That brings it to Rs. 32-8.

Mr. Shastri.—Yes.

Dr. Matthai.—Would you consider that a fair selling price?

Mr. Shastri.—If I were to consider whether I should enter this business or not, I should not enter it if I were not sure of 10 per cent. profit.

Dr. Matthai.—That is, unless you could realise a price of Rs. 32-8 you would not enter this business?

Mr. Shastri.—That is my point. As a matter of fact, the manufacturer cannot get more than Rs. 31 per marc. Perhaps, that will be the highest figure. In some cases, the manufacturer might be getting even less, say Rs. 30. That means the managerial charges are swept away and the rate of profit becomes low to that extent.

President.—Let us take, for purposes of argument, Rs. 32-8 as the fair selling price. Let us see what would be necessary to add in order to bring the output to the French standard.

Mr. Shastri.—

Silver 80 per cent.	0	6	3
Silk	0	4	6
Wire	0	2	9
Flattening	0	1	0
Spinning	0	4	9
Gilding	0	6	0
Wastage	0	1	0
Office staff and supervision	0	1	0

Total . . . 1 11 3 or

Rs. 35-12 per marc.

To this we have to add postage 3 annas and rupee one for commission, or the total cost of one marc will be Rs. 37 in round figures at the factory. Then

there are the interest charges on the capital invested and managerial charges, etc.

President.—For managerial charges and interest on capital invested let us add another Rs. 4.

Mr. Shastri.—I would add at least Rs. 5 because a manager of such a factory will ask more.

Dr. Matthai.—The difficulty would be in that case that you will have to **take a larger output than one lakh tolas**. If you engage a man on, say, Rs. 800 a month it is obvious that it would be uneconomic if you do not get a larger output.

Mr. Shastri.—That is the difficulty of this trade at present, because how are you going to organize it on a very big scale? It requires more capital and so on. If you add Rs. 5 to this it will come to about Rs. 42.

President.—Messrs. Peirce Leslie and Company import 9/10ths of all gold thread imported into Madras and that is the gold thread which the Indian manufacturer must compete against.

Mr. Shastri.—That is so and their price I think is between Rs. 38 and Rs. 40.

President.—Let us see where our calculation leads us. Taking this very coarse quality, it really does not come into competition at all with the French thread, does it?

Mr. Shastri.—That comes into competition with half fine.

President.—The other quality for which we found that Rs. 32-8 would be a fair price would come into competition with gold thread which Peirce Leslie import without payment of duty at about Rs. 30. So that if we were to consider that this quality was exactly the same as that imported by Peirce Leslie, obviously the present duty would give more than sufficient protection. There is however a market preference for the imported thread on account of its superior finish and we must therefore consider what additional charges would be incurred in order to bring the Indian thread up to the standard of imported thread. You claim that you could produce it at just under Rs. 42. We will take that as your fair selling price. That you would consider as a generous estimate, would you not?

Mr. Shastri.—Yes.

President.—That includes everything. If we take the price *ex-duty* of imported thread (1,800 yds. to oz.) at about Rs. 30 per marc on the assumption that the quality is as required by the Madras people, of the two the Indian would be better because it is finer?

Mr. Shastri.—Yes.

President.—The Indian thread might be manufactured at Rs. 42 all in and imported thread comes in at Rs. 30 excluding duty.

Mr. Shastri.—Yes.

President.—The difference between Rs. 30 and Rs. 42 is the measure of the duty which would be required to enable the Indian industry to stand. That will be Rs. 12 on Rs. 30 or exactly 40 per cent.

Mr. Shastri.—Yes. Then we have got to add something for the prejudice.

President.—There is no prejudice. The assumption is that in every way it is superior.

Mr. Shastri.—For some years to begin with people will not go in for the Indian article. They will say 'give us cheap or we won't buy your product'.

President.—Is it because your article is inferior?

Mr. Shastri.—No; for that they ask for a difference of Rs. 15. That is a different matter.

Dr. Matthai.—If you took your 2,000 yards per ounce superior quality gold thread that you now manufacture of which you found the fair selling price to be somewhere about Rs. 32-8, and if that went into the Madras market then obviously you would be justified in saying "this thing if it comes into competition with imported French thread would obviously suffer

from prejudice because there is a difference in quality and therefore there must be a certain difference in price corresponding to that difference in quality". Supposing we allowed you Rs. 10 as the measure of prejudice then your fair selling price would come to Rs. 42 for that article. What we have done is to take the cost that you have to incur if you work up to quality that would altogether eliminate the prejudice, that is to say you get as much silver in it as the French thread, you get as good quality of silk as the French thread contains, the best kind of gilding and so on and therefore you get this result that about Rs. 10 as regards the superior quality that you manufacture is the measure of the prejudice.

Mr. Shastri.—The thing is this. Given that our produce is as good as the French, I don't think people will go in for our quality for some time to come at the price at which Peirce Leslie sell their imported thread. They will say 'we know these people for so many years and we won't turn to a new manufacturer'.

President.—That is what they say to a new manufacturer, Indian or European.

Mr. Shastri.—That is what I say. For some time we shall require a margin for prejudice. As soon as the Indian article is established in the market, then this difference should disappear. My idea is this: if Peirce Leslie's articles sell at Rs. 45 or Rs. 46, then our article at Rs. 42 will compare favourably and will perhaps be accepted in preference to Peirce Leslie's article. Let us calculate the amount of duty to be imposed on that.

Dr. Matthai.—Peirce Leslie's article is 1,600 yards to an ounce. Generally with regard to imported thread the difference in value between different degrees of fineness works out to a shilling per 100 yards, that is to say the difference between 1,200 and 1,600 yards will be about 4 shillings. Now, the point is this: supposing you are going to take into account the prejudice that would arise against your very special quality that you now put on the market, it has got to be compared with the imported 2,000 yards.

Mr. Shastri.—Yes.

Dr. Matthai.—Imported 2,000 yards on this basis would be about Rs. 2½ more.

Mr. Shastri.—Very probably there will be no import of 2,000 yards. What we would manufacture would be not 2,000 yards, but under 2,000 yards. However fine the silk might be, it might come to 1,700 or 1,800 or 1,900—I can't say what at present. I have never come across imported thread finer than 1,800.

President.—You have given your estimate at 2,000.

Mr. Shastri.—This is a theoretical calculation. It is popularly known as the 2,000 yards variety, but in exact measurement it may be the same as Peirce Leslie's of 1,800 yards.

President.—Taking your other argument it would really have to be compared with the best quality that is actually imported which is about 1,800 yards.

Mr. Shastri.—That is what I say. We shall have to compare it with the best quality that we are at present importing. So I said that this article should cost in the market Rs. 45 and then perhaps we might be able to push forward the sale of our article.

President.—This is 1,600 to 1,700 yards which Peirce Leslie import.

Mr. Shastri.—This gentleman says what they call 1,700 yards is finer than that by 100 yards. It comes to 100 or 200 yards more. All that thread goes into the market under the name of 2,000 yards.

President.—You have given us this estimated cost of Rs. 42 and we have to establish to the satisfaction of the Government of India that this industry will some time or other be able to do without protection. How are you going to establish it?

Mr. Shastri.—This cost of manufacture will be lessened when we manufacture silk yarn from Kashmir raw silk. We have put down As. 4-6 there,

because we have always imported silk. If the turnover is more, then all these labour charges will be less and that will reduce the cost.

President.—Could you give us any figures indicating how you would be able to reduce the cost?

Mr. Shastri.—I would say that my cost would not be more than Rs. 30.

President.—You simply state it.

Mr. Shastri.—I don't know exactly how much it would be. How am I to supply these figures? With a better organisation, with a better equipment and with greater production, there is bound to be some saving in cost. There is no reason why our costs should be more than the French costs, because silver is common to us and to France. Take any of the articles which go into the manufacture of this. No article is a raw product of France while we have at our place these two raw products, cotton and silk. I do not see any reason why, if we adopt all the French processes, our costs of manufacture should be more than that of the French.

President.—Let us just run through this again to get the reasons for the increased cost. I take it the increased cost is due to the larger percentage of silver.

Mr. Shastri.—Yes. You can't make any change.

President.—Better silk is another reason?

Mr. Shastri.—Yes.

President.—The figure of As. 4-6 you have taken here represents the cost of imported silk?

Mr. Shastri.—Yes.

President.—And that, of course, when you are able to spin your silk of proper quality, would be reduced.

Mr. Shastri.—It may come to As. 3 or even less.

President.—The wire has to be drawn finer.

Mr. Shastri.—If we do it as they do in France, our cost will be less.

President.—Then comes the flattening charges.

Mr. Shastri.—When our workmen get used to it and when we manufacture on a large scale, this one anna will be reduced.

President.—The reason why an increase has been necessary there is the production is much smaller?

Mr. Shastri.—Yes, in the beginning there was an experimental stage for some time and we had to train the workmen for some time. We cannot depend upon the proper output—the maximum output of the plant.

President.—What is the reason for increase in the spinning charges?

Mr. Shastri.—The same thing. When a number of workmen are trained, competition will work itself.

President.—Gilding, the reason is more gold.

Mr. Shastri.—More gold and more care. The office charges and the wastage are bound to decrease along with more production.

President.—The higher the duty you ask for, the more difficult it is for us to prove that you will eventually be able to stand without protection. It makes it difficult for us to establish your case that you will be able to do so, because you have got to show more reduction in your costs.

Mr. Shastri.—In the cost of manufacture?

President.—Yes. If the duty is Rs. 5, it is easy to show that you will be able to show a reduction of Rs. 5. If the duty is Rs. 8 it is more difficult and if the duty is Rs. 10 it is still more difficult.

Mr. Shastri.—I don't follow your line of argument.

President.—Supping some one came to me and asked me how this cost of manufacture is going to be reduced from Rs. 41 to Rs. 30, I shall have to explain.

Mr. Shastri.—Exactly,

President.—There you should be able to show a reduction of Rs. 12.

Mr. Shastri.—Instead of Rs. 42, we want Rs. 12 less. We want to bring it down to Rs. 30. That means it will be a difference of Rs. 12 per tola.

President.—Let us take the profit. Rs. 5 on 37 works out at 15 per cent.

Mr. Shastri.—Yes.

President.—That is fairly heavy.

Mr. Shastri.—It includes depreciation and everything.

President.—Even then it is heavy.

Mr. Shastri.—It might come down to Rs. 3 or Rs. 2 when there is a big development. In the case of this gentleman he doesn't get Rs. 3 or Rs. 4, but he gets only one or two rupees.

Dr. Matthai.—I take it that a little more than 50 per cent. of the cost of gold thread is the cost of materials, that is to say silver, silk and gold would represent roughly 50 per cent. of the cost.

Mr. Shastri.—About 50 per cent. I should think.

Dr. Matthai.—As far as this cost of materials is concerned, all these three articles, silver, silk and gold, are articles which have a certain level of world prices.

Mr. Shastri.—Yes.

Dr. Matthai.—It is therefore in the cost above materials that you would have to look for reductions ultimately.

Mr. Shastri.—Yes, and I think it will be possible to do that. There will be no difficulty in doing it.

Dr. Matthai.—Larger scale of production?

Mr. Shastri.—Yes, and better machinery and better skilled labour would tend to reduce the cost of manufacture. One thing is that this cost of silver includes 25 per cent. duty on silver. I don't think this duty is going to last for ever. In the past we had no duty on silver and it is just likely that it might be less. In France they have not got this duty. If the duty is lessened, silver will be cheaper.

President.—Let us leave out the duty on silver, because the whole question is complicated by the enormous fall in the price of silver. In both cases we have taken the rupee value.

Mr. Shastri.—That is true. We import this from Europe and an European manufacturer gets an advantage of 12 per cent. on account of exchange.

President.—The position is this: your cost is Rs. 42; the landed cost of the European manufacturer is Rs. 30. The difference Rs. 12 is the measure of protection required and makes full allowance for the change in the rupee ratio.

Dr. Matthai.—The statement of costs that you have given us and the price that we have taken give a measure of the protection that you require under present conditions. We have found that if this duty is levied, then you will be able to hold your own against imported thread under present conditions. When you take that line and estimate your protection on that basis it is unnecessary to go further and take exchange and so on into consideration, because you have covered every circumstance now.

Mr. Shastri.—I am now arguing the other way. You ask me whether my cost of manufacture will be lessened or not. Then I say that this cost of Rs. 30 in India is very artificial.

President.—In arguing whether you will ever be able to stand without protection, you may consider that the silver tax need not necessarily be final and the present exchange ratio need not necessarily be final.

Mr. Shastri.—Then we shall be able to stand very well.

Dr. Matthai.—If the silver duty goes.

Mr. Shastri.—Yes, and if the exchange improves we don't want protection beyond the revenue duty on such articles of luxury as these. That is what we have been asking for.

Dr. Matthai.—If you assume that there is a general level of revenue duty in the country of 15 per cent. which every imported article has got to pay, then you are perfectly safe.

Mr. Shastri.—Yes. I may be allowed to submit one thing. I don't know what is actually happening in France, but looking to the practice of most of the manufacturing countries, I should not be surprised if in France most of these raw products are free of duty. That is silver, silk, gold and cotton. If there is some duty, these manufacturers of gold thread for articles like that might be getting a rebate. That is a point which you will kindly ascertain. I am not in a position at present to say definitely on this point. This is one of the points which might be taken into consideration by you.

President.—We have arrived at the conclusion that on these figures you have given us the amount indicated was approximately 40 per cent. *ad valorem* on the wholesale price *ex-duty*, but you still maintain that Re. 1 or Rs. 2 more will be necessary for prejudice.

Mr. Shastri.—Yes, I put it down as 50 per cent.

President.—As we were saying, yesterday, we have to consider what the effect of the high duty would be on smuggling. That seems to me to be a crucial point.

Mr. Shastri.—Now one thing more. I hope I have established my case for 50 per cent. so far as the real gold thread is concerned. Now I want to bring to your notice the competition between half fine and our thread.

President.—We will deal with that point later. Let us get rid of the question about smuggling because we are dealing with the real gold thread now.

Mr. Shastri.—This question of smuggling is not peculiar to India. It is a question applicable to every country in the world where the question of protection comes in. Where you have a high tariff, you have to handle questions of smuggling.

President.—The point is this. We have to look at the facts. There is a large amount of smuggling in Madras. So far, smuggling has not started in Bombay, but with your Indian States in such close proximity, the question may crop up at any time.

Mr. Shastri.—Don't you think that we are capable of exercising better control at Virangam which is the boundary station between Kathiawar and Bombay? I don't think we have much smuggling so far as Kathiawar is concerned.

President.—There is none.

Mr. Shastri.—Supposing smuggling takes place, it will be possible to stop it on this side.

President.—In the case of this particular article, it has proved to be extremely difficult.

Mr. Shastri.—Now the value of the total imports is Rs. 30 lakhs. Supposing, instead of Rs. 9 lakhs, smuggling increases by 50 per cent., still there is about Rs. 26 lakhs.

Dr. Matthai.—How do you get that?

Mr. Shastri.—I am taking all the threads together.

Dr. Matthai.—Yes, if you take the real, imitation and half fine. As far as half fine and imitation are concerned, the extension of the protective duty to imitation and half fine safeguards you. At present we are entirely on the question of real gold thread.

President.—You can take it that Rs. 14 lakhs is the value of real gold thread imported and Rs. 6 to 7 lakhs smuggled. If another Rs. 9 lakhs worth of woods is smuggled in, where will be your market?

Dr. Matthai.—I have got some interesting figures with me showing at each stage how the increased duty affected the imports in Madras. In 1916-17, Madras imported Rs. 29.8 lakhs. That was the year when the general import duty was raised for revenue purposes.

Mr. Shastri.—Before that, gold thread was paying 15 per cent. This Rs. 29 lakhs represents almost two or two and half times the present prices.

Dr. Matthai.—The point is not that. In 1916-17, Madras imported Rs. 29.8 lakhs. That year the import duty was raised. Next year the imports into Madras were Rs. 13 lakhs. Then in 1918-19 when you had a further increase in the general import duty, the total imports fell to Rs. 8 lakhs and then in 1919-20 they dropped to Rs. 3 lakhs. Afterwards the Madras Customs Department were asked to make special arrangements against smuggling. In 1920-21, imports rose to Rs. 36 lakhs. Then in 1922 you had the 30 per cent. duty. In that year the Madras imports were Rs. 4 lakhs. Since then the duty has remained at 30 per cent. As a result of improvement in the Customs arrangements, there has been an improvement in the local clearances. It is not yet time to say what the effect of the 38 per cent. duty is going to be. Almost at every stage where there has been a substantial increase in the duty, there has been a substantial fall in the imports. If we raised the duty from 38 per cent. to 50 per cent. it would be a very substantial increase and if the result of that was that the Madras market was going to be flooded in the next few years with smuggled goods, then the competition that our manufacturers would have to face in Madras would be intensified.

Mr. Shastri.—From your own figures, it appears that if there is better supervision, the amount of smuggling is considerably reduced.

Dr. Matthai.—What I am suggesting is this. We grant protection to the gold thread industry on the assumption that in the course of some years the Indian gold thread would be able, by economies and so on, to meet competition from other countries—I don't say entirely unaided but at any rate with much less assistance, so that the protection is confined really to the transitional period, but if during a considerable part of the transitional period you are going to be faced by the prospect of increased smuggling the position will be difficult for you.

Mr. Shastri.—Government can take steps to prevent smuggling.

Dr. Matthai.—After each change in the tariff, the problem becomes intensified.

Mr. Shastri.—We have to take that as a transitional period.

President.—Even now after considerable steps have been taken Rs. 6 to 7 lakhs is smuggled.

Mr. Shastri.—Even with an increase of 50 per cent. in smuggling there would be still Rs. 10 or 11 lakhs.

President.—Personally I would not be prepared to say how much more would be smuggled.

Mr. Shastri.—Supposing the duty was increased from 38 per cent. to 50 per cent., the increase in smuggling would be 33 per cent. or 100 per cent.?

President.—The smuggler's profit is Rs. 6.

Mr. Shastri.—I hope that Government would be able to take better precautions now.

President.—They have introduced a change in the Land Customs Act by which a man who smuggles across the frontier, if he is detected, can be fined. Now it has been difficult to enforce that provision because fines could not be realised. They have found more or less that provision ineffective for that purpose.

Mr. Shastri.—I suppose Government is all powerful and it ought to be able to devise means to stop smuggling.

President.—It is extraordinarily difficult to devise ways and means. Gold thread is so small in bulk that it can easily be smuggled.

Mr. Shastri.—This trade is holding out some prospects of improvement. I hope under any circumstances I shall not lose because I am quite sure France will not be able to manufacture 2,000, 2,200 and 2,500 yards to an ounce.

President.—Is there a market for 2,500 yards to the ounce?

Mr. Shastri.—Why, there is. We can manufacture even 2,700 yards.

President.—The imports are mostly 1,800 yards to the ounce. While the weavers are content with 1,800 do you think that they will take 2,000 yards?

Mr. Shastri.—The best quality of our manufacture will replace the imported article to the extent of 14 lakhs or 14 lakhs plus 9 lakhs.

Dr. Matthai.—Have you any idea what proportion of the gold thread manufactured in France finds its way to India?

Mr. Shastri.—I should think India is a very insignificant market for the French products. I am not prepared to say that definitely but I came across one Guide while I was in France. This information is based on that and you might get it verified from official records. They manufacture imitation gold thread worth about Rs. 4 crores in Lyon in France, while we import at the most Rs. 15 lakhs. So, I say, the Indian market is an insignificant market as compared with the rest of the world markets. I was told that most of their products went to America.

President.—You have raised one point on the subject of 38 per cent. duty. You say that the high duty on silver which comes to about 25 per cent. gives an advantage to the French manufacturer. The duty on silver in the thread works out to only 6 or 7 per cent. Let us take the inferior thread.

Mr. Shastri.—You have worked out on the basis of the quantity of silver used?

President.—Yes.

Mr. Shastri.—I admit the force of that argument. So, I am not prepared to press that point.

President.—You were speaking about half fine and imitation.

Mr. Shastri.—The point of that representation is that owing to the change in the ratio the French manufacturer has got an advantage to the extent of 12½ per cent.

President.—That applies to all.

Mr. Shastri.—Yes, to all articles imported from abroad.

President.—As my colleague was pointing out to you just now, in our calculations we have made full allowance for the exchange.

Dr. Matthai.—We have estimated your cost under present conditions and then we have found what the difference is between your cost and the price of the imported thread under present conditions.

Mr. Shastri.—If the exchange were 1s. 4d., what do you think would be the price of the imported article? It would not be Rs. 30 but Rs. 32.

President.—The cost of your silver and gold would be higher.

Mr. Shastri.—In the case of silver, I think our silver is a raw product. You might consider it this way. There is a quantity of silver melted every day here in India and it is not always necessary for us to import silver from outside. If we utilise our own silver, then the question of exchange won't come in. We would not get the benefit of exchange.

President.—The value of silver depends upon world prices.

Mr. Shastri.—Yes. So, we shall leave that.

Dr. Matthai.—We will have to find a comprehensive remedy for exchange.

President.—Now let us take the imitation gold thread, that is the gold thread which comes in at 3 shillings.

Mr. Shastri.—We are not concerned with that.

President.—It is the half fine that competes with your product.

Mr. Shastri.—The price of imported half fine is Rs. 8 and our gold thread which competes with that is Rs. 20 and it is twice as long. So, length for length our gold thread will cost Rs. 10. So, there is a difference of Rs. 2.

If we can cover this difference of Rs. 2 by import duties, then I believe that our real gold thread will be used in place of half fine.

President.—That is if we add 25 per cent. to the present duty?

Mr. Shastri.—25 to 35 per cent. If you add to the present duty 35 per cent. then it will be possible to get sufficient protection for this fine gold thread against half fine. At present half fine pays 5 per cent. duty. If you add 35 per cent. this will be brought up to 50 per cent. My argument is that an all-round 50 per cent. will give us sufficient protection.

President.—How do you feel about imitation?

Mr. Shastri.—For practical purposes it does not enter into our consideration at all. But if there is 50 per cent. duty on imitation we will begin to manufacture that.

President.—Wouldn't that be hard on the poorer classes?

Mr. Shastri.—I don't think so. That argument is met in this way: in the first place the article which is prepared with this imitation stuff is used not by the very poor people but by the middle class people and by an imposition of an extra duty of 35 per cent. the increase in the cost of the article will not be more than 4 annas if the article costs Rs. 5. That means for 80 annas there will be an increase of 4 annas or 5 per cent. in the cost of the article and I believe that this increase of 5 per cent. will not press very heavily upon the class of people who buy it.

President.—But in my colleague's part of India even the coolies use gold thread.

Mr. Shastri.—In fact most of this imitation thread is used in saris and so on.

President.—What about the lametta for festive occasions?

Mr. Shastri.—This lametta is used mostly in the manufacture of silver thread and that silver thread is used in the preparation of shoes.

President.—I was thinking of garlands.

Mr. Shastri.—I don't think the poor people really use garlands. I should honestly think that it will not be a hardship on the class of people who use this stuff.

Dr. Matthai.—Most of the lametta which is imported now is really imitation?

Mr. Shastri.—Yes.

Dr. Matthai.—Would the Indian industry ever care to take that up?

Mr. Shastri.—Why not?

Dr. Matthai.—Does imported lametta affect the manufacture of real spangles here?

Mr. Shastri.—This lametta is imported mostly in the form of flattened wire. Spirals and spangles amount to a few thousand rupees only and whether we manufacture that or not does not matter but we will certainly manufacture that flattened wire.

President.—What do you think of this gold thread (hands in sample of gold thread manufactured by the Perambur Works).

Mr. Shastri.—It would be classified as intermediate between the highest and the lowest. If you go by cost you might put it at about Rs. 24.

President.—Is it comparable with the gold thread manufactured by Mr. Nathubhai?

Mr. Shastri.—It is much inferior.

President.—In what way?

Mr. Shastri.—In colour and twisting. This is China silk, I think, whereas Mr. Nathubhai's is Kashmere silk.

President.—We were told that it was Bangalore silk.

Mr. Shastri.—That is worse. It has not got that tensile strength.

President.—We have nothing more to ask you, and we thank you for the assistance you have given us.

Mr. Shastri.—Our request now is that we should be given certain rebates of duty on our raw products which we import, for instance raw silk, silk thread, cotton thread, chemicals, draw plates.....

President.—Before we start on this I ought to explain that these questions are sometimes complicated by administrative considerations.

Mr. Shastri.—I understand that but our request is to do your best for us.

President.—If you can give us a list of the things.....

Mr. Shastri.—Raw silk, silk thread, cotton thread, chemicals, draw plates. Then silver is one of our raw products; and I also want to know whether any special postal rates for this industry can be given to us.

President.—Is there any other trade in which they get special postal rates?

Mr. Shastri.—In India there may not be but there are countries in which special postal rates are given to assist industries.

Dr. Matthai.—What is the rate at present?

Mr. Shastri.—3 annas for 40 tolas.

Dr. Matthai.—Including registration and insurance it is 3 annas a marc?

Mr. Shastri.—Yes. Then in our representation we have stated that special facilities should be given for income-tax.

President.—That is rather beyond the scope of our enquiry.

Mr. Shastri.—We are now putting before you all our grievances to be communicated to Government.

President.—What is it that you want in income-tax?

Mr. Shastri.—What I mean to say is this: I am speaking on behalf of the gold thread manufacturers in Surat and you can tell Government that all this doctrine of *laissez faire* will not do in these days. Government must take all possible steps to meet the grievances of the industry to assist them. Our request is that as this industry is in an experimental stage there may be an all-round depreciation of 25 per cent. allowed to this industry.

Dr. Matthai.—What is the income-tax rate now?

Mr. Shastri.—They allow 2½ per cent. on buildings and 5 per cent. on machinery and I think on electrical machinery they allow 10 per cent. although they ought to allow 20 per cent. which is permissible. This is what I have been told. That is one thing. Then the next thing is that Government should take all possible steps to put this industry on the most up-to-date lines.

President.—That of course would be a matter for the Bombay Government to decide. I understood you to say that it might be advisable for the three Governments interested in this industry to combine?

Mr. Shastri.—Exactly. And we think Surat having done so much pioneer work is the place where to locate such an institution as an experimental factory or something like that and if you don't mind a personal reference I would say that my factory will undertake what it can do to serve the industry as it has been doing all along. What I want is that some serious attempt should be made to put this industry on the best lines possible. We believe more in that than in protection. Protection will only be temporary. We know that we are not to live on protection, but we must stand on our own legs. We must see that the industry is developed to the best extent.

The Industrial and Trade Association, Benares City.

Letter dated 2nd August, 1930.

I have received your questionnaire about gold and silver thread enquiry forwarded to me by the Director of Industries and I give the following account of Benares gold thread industry:—

1. In Benares imitation gold thread is not consumed at all and so I cannot say much about it.

2. Since the protective duty on gold thread has been imposed by the Government, the Benares gold thread Industry began to develop. Foreign gold thread became dearer and so the demand for local made grew up considerably. The people began to gild silver thread by electric process and in the course of 8 to 10 years the foreign gold thread was totally ousted from Benares market. Now for the last three months as far as my knowledge goes not a single bundle of French gold thread has been sold in the market which consumes nearly 5 to 6 thousand tolas of gold thread daily.

3. In Benares there is no factory system. There are different set classes of workmen who work by hand in their own homes; such as coarse wire drawers, fine silver wire drawers, twisters, guilders, etc. They are helped in their homes by the ladies and children in the family reducing the labour charges. The final process of gilding, i.e., gold-plating, is done by dynamos which were formerly worked by oil engines, but now people are taking advantage of electric installation recently set up in the town and are replacing oil engines in preference to electric motors.

4. In Benares mostly coarse kind of gold thread is consumed, i.e., 1,000 to 1,200 yards per ounce. The only raw material which is foreign is the double twisted mercerised cotton thread on which the lametta is wrapped, which is of two kinds, one glazed and the other unglazed. The consumption of unglazed one is very great which is mostly English.

5. As in Benares there is no consumption of foreign gold thread, since we have improved our own manufacture, the question of smuggling does not arise. If there is any smuggling the smuggled articles do not find their way to Benares market or up-country market.

6. In conclusion I have to say that the present progress that this industry has made is mainly due to the protective duty, in the absence of which the foreign competition would never have given a chance for Benares to develop this industry and thousands of homes now solely depending on this industry alone for their livelihood, would have been ruined. The foreigners possess the advantage of using up-to-date machinery and organised Capital while our workmen mostly do the same work by hand power. Some people are trying to adopt improved machinery and we hope after 10 or 12 years when we too adopt the improved methods of large mass production of machinery we would not need the protection to stand world competition. Before this time comes the removal of protection would be suicidal. I hope the above general outline covers the main theme of your questionnaire which concerns us.

Questionnaire issued by the Tariff Board to be answered by Importers and Traders.

MARKET.

1. What is your estimate of the gold and silver thread consumed in India and how much of this is produced in the country?
2. In what parts of India are your principal markets situated?
3. Are there any markets in which owing to their distance from the ports indigenous manufactures can compete more easily against imports? If so, please state which those markets are and the approximate demand in each.
4. To what extent is the market served by imported gold and silver thread distinct from that served by gold and silver thread manufactured in India?
5. Have you any reason to suppose that there is any illicit importation of gold and silver thread into India? If so, to what extent is your market affected thereby?

COMPETITION.

6. Which are the principal countries from which gold and silver thread is imported into India?
7. (a) What are the principal classes of gold and silver thread imported?
(b) Explain the differences between these classes in composition, form, etc.
(c) For which classes is there most demand?
(d) In respect of which classes is competition with Indian manufactures most severe?
8. To what extent does imitation gold and silver thread compete with real gold and silver thread of Indian manufacture?
9. From what countries is imitation gold and silver thread mostly imported?
10. Please state—
(i) the price at which various classes of imported gold and silver thread (including imitation thread) entered the country during each of the last ten years and the present price;
(ii) the prices realised during the same years for gold and silver thread of Indian manufacture.

If possible, the f.o.b. price in sterling of imported gold and silver thread should be given and the following items shown separately:—

- (1) freight,
- (2) insurance and trade charges,
- (3) customs duty,
- (4) landing charges.

If this is not possible, then state the c.i.f. price *plus* customs duty and landing charges.

11. Have you any reason to suppose that prices at which foreign producers sell for export to India (a) are unremunerative, (b) leave only a small margin of profit to the producer, or (c) are exported at a price below the lowest current price in the home market?

12. Do you consider that as compared with the foreign manufacturer the Indian manufacturer is at a disadvantage in all or any of the following points:—

- (a) cost of plant or machinery;
- (b) cost of expert labour;

- (c) cost and efficiency of ordinary labour;
- (d) the provision of raw materials;
- (e) freights on finished goods;
- (f) customs duty on imported materials;
- (g) the raising of capital?

Which of the above disadvantages, if any, do you consider as permanent and which as temporary?

13. Is there any difference in quality recognised by the market between imported and Indian made gold and silver thread? If so, to what extent does the quality of imported gold and silver thread depend on the employment of secret processes of manufacture?

14. Please state the customs duties which have been in force during the last ten years and the changes in such duties—

- (a) on imported gold and silver thread;
- (b) on imported imitation gold and silver thread;
- (c) on each of the raw materials used in the manufacture of gold and silver thread.

To what extent do you consider that the rate of such duties has—

- (a) restricted foreign competition;
- (b) encouraged the Indian industry?

Give figures of imports and production in support of your opinion.

CLAIM FOR PROTECTION.

15. In paragraph 97 of their Report, the Fiscal Commission laid down three conditions which in ordinary cases ought to be satisfied by industries claiming protection. Do you consider that these conditions are satisfied in the case of the gold and silver thread industry? And in particular—

- A. Do you consider that the industry possesses any natural advantages, such as an abundant supply of raw materials, cheap power, a sufficient supply of labour or a large home market?
- B. Do you consider that without the help of protection, the industry is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country?
- C. Do you consider that the industry will eventually be able to face world competition without protection?

16. Do you consider that the Gold and Silver Thread Industry satisfies either or both of the conditions mentioned in paragraph 98 of the Fiscal Commission's report, viz.:—

- (a) That the industry is one in which the advantages of large scale production can be achieved and that increasing output would mean increasing economy of production?
- (b) That it is probable that in course of time, the whole needs of the country could be supplied by the home production?

17. Do you consider that there are any features in the industry which make it peculiarly suitable to Indian economic conditions?

18. What is the amount of protection the industry receives at present owing to—

- (a) the existing customs duties,
- (b) transport charges between the country of production and the port of entry, i.e., freight, insurance, trade charges and landing charges?

19. To what extent do you consider that other industries using gold and silver thread will be affected if protection is granted to the industry?

Messrs. Peirce Leslie and Company, Limited.

A.—WRITTEN.

- (1) *Copy of letter No. 180-T. (12), dated the 18th June, 1930, from the Assistant Secretary to the Government of India, Department of Commerce, Simla, to the Secretary, Tariff Board.*

DUTY ON GOLD THREAD.

In continuation of my letter No. 180-T. (12), dated the 19th May, 1930, I am directed to enclose, for information, a copy of a letter from Messrs. Peirce Leslie and Company, Limited, Coimbatore, dated the 26th May, 1930, on the above subject.

Copy of letter, dated 26th May, 1930, from Peirce Leslie and Company, Coimbatore, to the Deputy Secretary to the Government of India, Finance Department (Central Revenues), Simla.

INCREASE IN DUTY ON GOLD THREAD.

We have the honour to place before you our views in connection with the above and beg that they may be taken into your serious consideration.

As you are no doubt aware from correspondence we have had with you (and other Government Departments) in recent years, we are the largest importers of French Gold gilt Silver Thread into India.

The previous correspondence referred to above was principally in connection with appeals to you for reduction of the duty to 15 per cent., in order to safeguard the interest of honest traders against the smugglers, but unfortunately our appeals were not favourably considered. Though we have not so frequently been repeating our appeal lately, circumstances have not changed, nor have our views.

The changes introduced in the recent budget came as a great surprise to us, as a policy directly opposed to our views has been adopted, and so far we have not seen in the newspapers any explanation as to the reason for the enhancement of the duty, and it is altogether inexplicable.

If it is due to the introduction of a duty on silver it seems strange to us that an article already taxed at the almost prohibitive rate of 30 per cent. should be increased further due to a comparatively small tax on one of the raw materials from which it is made.

We presume it cannot be due to a desire to protect the Indian industry as it was amply protected by the 30 per cent. tariff, and in case you are not aware of it, we would like to point out that little, if any, of the Indian made thread is of a quality which can compete with the imported article which the market desires largely. Therefore if the object of increasing the duty to 38 per cent. was to protect the Indian industry, we do not see how it will achieve its object.

We believe we are correct that Gold Thread is the only article in India on which import duty exceeds 30 per cent. (except perhaps liquor) and the new duty of 38 per cent. is very much a prohibitive one, and is bound to react on the trade which has for so long brought enormous revenue to the Government of India. The smuggling evil which has been after many years reduced to a small proportion will be revived and will flourish under the new conditions, and the result will be a serious loss of revenue to the Government of India and a serious injustice to honest traders. The increase of smuggling is already apparent and has been brought to the notice of the Collector of Customs, Madras.

In these various circumstances there seems no ground or reason for the additional duty and we wish to strongly appeal for a reduction of the duty to the old rate of 30 per cent., if it is not possible to reduce to the rate of 15 per cent., for which we have been appealing for so many years.

(2) Letter dated 24th June, 1930, from Messrs. Peirce Leslie and Company.

In continuation of our letter of yesterday, we enclose our replies to the questionnaire with five spare copies.

We beg to draw your attention to our answer to question No. 10 which contains information of a private and confidential nature regarding details of our business, which we would like to be used in a private manner and not to be published, as we feel that leakage of this information would be detrimental to our interests.

REPLIES TO QUESTIONNAIRE OF THE TARIFF BOARD ENQUIRY ON GOLD AND SILVER THREAD.

Market.

1. Our trading operations are confined to South India, and we have no accurate knowledge of the trade of India as a whole except such as is given by import statistics which are expressed as values.

So far as we know no statistics of Indian manufactured gold thread are available, nor are we able to estimate amount with reasonable confidence.

2. Madras Presidency, Mysore State and Travancore State.

3. No. Freight is of small significance since weight and bulk is small compared with value.

4. Imported thread is used for production of valuable cloths containing large amounts of gold thread, whilst Indian product is used for weaving of cheaper cloths containing small quantities of gold thread.

5. Yes, *via* Pondicherry, Karikal and Kathiawar. This is a most serious matter which very seriously handicaps the honest importer who declares his goods and pays import duty. The evidence showing that the amount of smuggled goods is large, is considerable and unquestionable. The special preventive measures used by Customs authorities and the number of seizure of goods as shown by amounts offered for sale by auction by Customs authorities, together with the circumstance that smuggling continues and therefore is profitable is convincing evidence that this illicit trade is considerable. Probably 20 per cent. of the real gold thread used in Madras Presidency is smuggled.

We have in the past frequently brought to the notice of Government the existence and importance of this illicit traffic in gold thread.

Competition.

6. Chiefly from France—some from Germany.

7. A. (1) Real or fine.

(2) Half Fine Imitation.

(3) Imitation.

B. No. 1. Pure silver lametta (flattened wire) wound on silk thread and gilded with pure gold.

No. 2. Base metal lametta wound on cotton thread and gilded with pure gold.

No. 3. Base metal lametta wound on cotton.

C. No. 1. Large demand (in terms of value).

No. 2. Large demand (in terms of value).

No. 3. Smaller demand (in terms of value).

D. Not.

8. Not at all.

9. France and to lesser extent Germany.

10. See supplementary answer given "in camera" and not for publication.

11. (a) No.

(b) No, but profits fluctuate.

(c) The European and American demand for gold thread is to a large extent determined by the vagaries of fashion, and when fashion creates a demand in these countries thus raising prices, these firms manufacturing specially for export to India and having an Indian connection to maintain may temporarily export at prices lower than those obtainable in their home market.

12. As importers of gold thread we have no special knowledge enabling us to give authoritative replies to these questions.

13. Yes, dealers and users have no difficulty in detecting differences between imported and Indian made gold thread.

To some extent the methods used for differentiating between the two have no direct reference to the intrinsic value of the materials, but experience has shown that the quality of imported gold thread is more uniform and reliable than that of Indian manufacture.

The manufacture of gold thread seems to have more of the characteristics of an art than a science, and therefore it may be incorrect to say that the imported thread is more reliable and uniform than Indian gold thread on account of the secret processes used in the manufacture of the imported thread. The success of the foreign manufacturers probably depends on the experience of their employees and not upon secret processes, if by secret processes it is understood that such processes are definable or desirable and easily transmittable.

14. (See table attached.)

15. A. The primary raw materials are certainly available in quantity, when compared with the small bulk of the requirements of the industry. Raw materials are of comparatively little importance since the value of the finished product is large compared with value of the raw material, e.g., the present price of imported gold thread (real) is say Rs. 70 per lb. whilst the present price of silver is about Rs. 20 per lb. Gold thread (real) contains from 75 to 80 per cent. silver.

Power is of little importance.

The amount of labour required to produce the whole of India's requirements is small, probably not more than 2,000 workpeople using modern machinery, but labour experienced in other similar trades or processes is not available.

3. The present Customs duty of 38 per cent. on real thread should be sufficient to stimulate development, and anything more would appear to be contrary to the interests of the consumer.

C. Not within 10 years.

16. (a) In foreign countries the whole of the processes of manufacture are not centralised in one factory or controlled by one firm.

Silver wire is drawn by firms producing other kinds of wire.

The gilding process is carried out by a firm not otherwise interested in the manufacture, and who are also engaged on similar processes connected with other industries.

It therefore seems certain that the advantages of large scale production could not be achieved in this country.

16. (b) Not within a reasonable period, say 10 years.

17. None.

18. A. 38 per cent. on Real.

15 per cent. on Imitation.

B. As a percentage of total value these charges are very small.

19. If the present Customs duty were raised the resulting price increase would reduce demand for cloths containing gold thread and thus compel weavers now engaged in production of such cloths to turn to other productions.

No. 14. Duty—

	Real Gold Thread.	Half Fine imitation.	Silk Yarn.	Silver Bullion.
	Per cent.	Per cent.	Per cent.	
1920 . . .	10	5	7½	Free.
1921 . . .	20	7½	20	„
1922 . . .	30	15	15	„
1923 . . .	30	15	15	„
1924 . . .	30	15	15	„
1925 . . .	30	15	15	„
1926 . . .	30	15	15	„
1927 . . .	30	15	15	„
1928 . . .	30	15	15	„
1929 . . .	30	15	15	„
1930 . . .	38	15	15	4 annas per oz.

14. A. No effective competition has arisen in the case of best qualities up to the present time, Indian manufacture being of inferior quality.

B. It is obvious that the import duty of 30 per cent. was bound to give many people the impression that considerable profit should be obtainable by manufacturing in India, thus inducing the people to enter the industry without regard to the technical difficulties involved.

No figures available.

(3) *Letter, dated the 6th August, 1930, from Messrs. Peirce, Leslie & Co., Ltd.*

We have your letter No. 543 of 15th July, and return Mr. W. J. Campbell's oral evidence duly approved. A few slight alterations have been made (in violet ink for easy reference).

We would like to amplify and clarify the following points:—

- (1) Selling of gold thread in retail,
- (2) Production in India,
- (3) Relation of Raw material to total value of finished gold thread,
- (4) Smuggling,

by adding some more information and views and beg to enclose a statement.

We regret we are finding it difficult to get the details for the promised statement showing cost of gold thread in typical cloths, but hope to provide some information on this subject shortly.

Enclosure.

TARIFF BOARD.

Statement by Messrs. Peirce, Leslie & Co., Ltd., Coimbatore.

1. *Selling of gold thread in retail.*—The President remarked:—

“Especially when one considers that the weavers—so we have been told in Madras—buy their gold thread by 100 yards that is about four annas worth at a time of course even 30 per cent. duty does not allow much difference in the price of 100 yards.”

While there is a limited amount of gold thread retailed in such petty quantities, our experience is that this is not representative of the retailing of gold thread, and very little of it is retailed in less than a skein or ½ of a marc, and much of it is retailed in complete marcs. A length of 100 yards would hardly show in a cloth, and as most cloths have about a skein in them, and many have a whole marc, and merchants and weavers usually buy at one time enough for a complete cloth. Therefore the argument that

even 30 per cent. duty does not produce much difference in the price of the quantity retailed does not apply.

2. *Production in India.*—Dr. Matthai remarked:—

“So that although the Indian industry may not be able to introduce economies of the kind that you suggest are practised in France, I think in spite of that the Indian industry on the present showing has a fairly good case for protection. Supposing they are able to put on the market gold thread at a price of Rs. 28 which corresponds to the duty free price of imported thread, would you not admit that the Indian industry has made out a fairly good case for protection?”

The discussion leading up to this point, and the questions by the Board indicate that a comparison is being drawn between the best quality India now can manufacture and the highest quality thread, but no evidence of the similarity of these two is indicated. The cost of French thread varies very considerably due to quality, over a range of about Rs. 10 per marc. Further it seems to be taken for granted by the Board that Indian quality can be improved without extra cost, and we wish to point out that we do not consider this possible—in short, improvement in quality will mean an increase in cost of Indian gold thread.

These factors have a heavy bearing on the subject, and do not support the point Dr. Matthai tried to bring out.

3. *Relation of raw material to total value of finished gold thread.*—Dr. Matthai remarked:—

“If it is true that the cost of material is about 70 per cent. of the total cost then all these economies by specialisation is restricted to 30 per cent. of your costs. You cannot achieve economy in materials by means of specialisation.”

First of all the reply to this by Mr. W. J. Campbell as taken down by the stenographer is unintelligible, but it would appear that Mr. Campbell's reply indicated he was not in agreement with the statement that about 70 per cent. of total cost is raw materials. We do not see how the figure of about 70 per cent. or even over 60 per cent. as elsewhere stated by the Board can be supported by fact. Suppose the contents of a marc of gold thread were all silver—and that is making the raw material as costly as possible, and ignoring the raw silk contents which is very definitely of much less value than silver—we get 8 oz. of bar silver at Rs. 1-4 per oz. or Rs. 10 for raw material per marc excluding gold which according to the price differential between gold and ungilt thread is about Rs. 4 per marc or a total cost of raw material of well under Rs. 14 per marc. From the information given by the Board as to cost of Indian gold thread the raw materials are in value not more than 50 per cent. of the cost of the finished article in India. The Board should be able to get accurate figures and facts to settle this important point. We would remark that the Perambur Factory's raw material ordinarily used is partly manufactured which may explain the difference.

If little economy can be achieved in silver and gold by specialising as in France, and buying in large quantity, silk purchased in quantity would result in an economy of some importance.

4. *Smuggling.*—The Board asked Mr. Campbell to suggest ways and means of preventing smuggling. Besides those already suggested to Government of India he had nothing to add. We recollect now that it was suggested some years ago that imprisonment as a penalty for smuggling might have a deterring effect, but up to date no steps have been taken in this direction, and we again commend this for further consideration. Fines were introduced as a penalty, but it is generally recognised that this is not a sufficient penalty as the persons who engage in the evil traffic are men of no worth, and a fine, if inflicted, cannot be collected, and the party gets off really without any penalty other than the old (and admittedly insufficient) one of confiscation of goods.

Another difficulty seems to have arisen, and we regard it as a very serious one if it is correct, that the British Government finds difficulty in arresting and suitably dealing with French citizens indulging in smuggling, and caught in British India. A recent case of this has come to our notice, and we are told the culprit was caught, but released when he pointed out his French citizenship.

(4) Letter, dated 16th August, 1930, from Messrs. Peirce, Leslie & Co., Ltd., Coimbatore.

We beg reference to our letter of 6th instant, and now have pleasure in enclosing the promised note on the subject of typical gold thread manufactures, and hope that this information will be helpful.

Enclosure.

Note by Messrs. Peirce, Leslie & Co., Ltd., Coimbatore, at the request of the Tariff Board, about cloths in which gold thread is used.

I. Three typical kinds of cloth in which gold thread is used—

- (1) Saries—as worn by Indian ladies—6 and 9 yards long usually.
- (2) Angavastrams—as worn by men—upper cloth—2½ and 3 yards long usually.
- (3) Davanies—as worn by women in Northern India.

II. Quantity of gold thread used in each of above 3 articles per article.

III. Value of total article compared with gold thread contents.

The following statement gives the information collected, for what it is worth, and without any guarantee as to its accuracy as we are not in a position to check the details. Our difficulty is the lack of standards in the weaving trade and the infinite variety of cloths containing gold thread, and the varying amount of gold thread used per cloth.

	Quantity of Gold Thread used.	French Gold Thread.	Total cost.	Indian Gold Thread.	Total value of cloth.	
<i>Coimbatore.</i>	Marc.	Rs.	Rs.	Rs.	Rs.	
9 yds. Silk saries .	$\frac{1}{4}$	10	25	5	20	} Indian gold thread used is inferior quality.
9 „ Cotton .	$\frac{1}{4}$	10	17½	5	12½	
3 „ Silk Angavastram.	$\frac{1}{8}$	5	10	2½	7½	
3 „ Cotton .	$\frac{1}{4}$	5	8½	2½	5½	
6 „ Davanie, silk	$\frac{1}{4}$	10	20	5	15	
6 „ Cotton „ .	$\frac{1}{4}$	10	15	5	10	
<i>Salem.</i>						
9 yds. Silk saries .	1	38	116	Not made of Indian gold thread.		
3 „ Silk Angavastram.	$\frac{1}{2}$	8½	27	Do.		
6 „ Silk Davanies	$\frac{1}{2}$	20	80	Do.		
<i>Madura.</i>						
6 yds. Silk saries .	$\frac{1}{4}$	6½	26½	5½	25	} Indian gold thread used is superior quality.
6 „ Cotton .	$\frac{1}{4}$	6½	12½	5½	11½	
2½ „ Silk Angavastram.	$\frac{1}{8}$	6½	15	5½	13½	

Names of parties who can verify the above information or provide more detail.

Salem—

Messrs. K. R. Chinnasamy Chetty & Co., Guhai, Salem.

Messrs. Muniamudally & Sons., Ammapet, Salem.

Conjeeveram.—Mr. P. S. Kandasami Sah, Saikpet, Conjeeveram

Bangalore—

The Weavers Co-operative Society Ltd., Cubbonpet, Bangalore.

Messrs. P. Subbarama Chetty & Sons, Chickpet, Bangalore.

Madura—

K. D. Laksmama Bhagavathar, East Veli Street, Madura.

P. N. Perumal Iyer, Ramnad Road, Madura.

Coimbatore.—P. Marudachalam Chetty, Cloth Merchant, Coimbatore.



सत्यमेव जयते

MESSRS. PEIRCE, LESLIE AND COMPANY, LIMITED,

B.—ORAL.

Evidence of Mr. W. J. CAMPBELL, recorded at Ootacamund on Thursday, the 10th July, 1930.

(Messrs. Peirce, Leslie and Company have no objection to the publication of the prices provided their names are not mentioned.)

President.—What is your position in the firm, Mr. Campbell?

Mr. Campbell.—I am a Director of Messrs. Pierce, Leslie and Company.

President.—For how many years have you been a Director?

Mr. Campbell.—Two years.

President.—How long have Messrs. Peirce, Leslie been carrying on the import trade in gold and silver thread?

Mr. Campbell.—20 to 30 years.

President.—They import almost entirely from France, do they not?

Mr. Campbell.—Entirely.

President.—Do you do anything in the form of trading in Indian gold and silver thread?

Mr. Campbell.—Nothing much.

President.—Do you purchase Indian gold and silver thread?

Mr. Campbell.—We have on occasions but nothing appreciable.

President.—Can you give us some idea of the difference in quality between imported and, say, Surat thread? Do you purchase Surat thread?

Mr. Campbell.—It is years since we have purchased Surat thread.

President.—Could you give us your impressions?

Mr. Campbell.—We don't handle it commercially.

President.—If you handle it at all you would be able to tell us exactly the difference in quality between imported and Indian thread.

Mr. Campbell.—The difference between imported and Indian thread . . .

President.—Let us start off with the Perambur factory in Madras. I understand there is some difference between their thread and Surat thread. How would the Perambur gold thread compare with imported gold thread?

Mr. Campbell.—The Indian manufacture is not as fine, as well finished and as durable as the imported thread.

President.—We are told at Perambur that in their particular case the difference was mainly in lustre.

Mr. Campbell.—That is the outstanding difference.

President.—And we were told that was because they found it very difficult to prevent their workmen from handling the thread just before twisting.

Mr. Campbell.—The handling of the gold thread would leave in a climate like India perspiration and dirt on the metallic surface which would prevent gilding taking on efficiently and effectively.

President.—That would affect the lustre?

Mr. Campbell.—It would.

President.—Would that affect the lasting quality too?

Mr. Campbell.—Very likely.

Dr. Matthai.—I suppose the lasting quality depends very largely on the way the twisting is done. The silver falls off any thread which has not

been properly twisted. As far as appearance is concerned, the question is one of gilding?

Mr. Campbell.—Yes.

President.—Would the handling of the gold and silver thread before gilding affect the lasting quality of the thread?

Mr. Campbell.—I understand that plating has to be done on an absolutely clean surface without any greasy substance or perspiration on it. Due to handling which leaves some sort of greasy substance on it gilding or plating does not take well and if there is much handling that affects the lustre.

President.—Here is a sample of the gold thread manufactured at Perambur. Can you tell us to what extent that is inferior to imported thread?

Mr. Campbell.—It is perhaps no quite so soft to touch as the French thread.

President.—What about the colour?

Mr. Campbell.—The colour is paler than the equivalent French article and it does not seem to have the same lustre.

President.—So far as the market is concerned can you give us some sort of money valuation of the difference which these qualities would represent?

Dr. Matthai.—Supposing your price was at present Rs. 40, what sort of price, making allowance for its quality, would be fair for the Indian gold and silver thread?

Mr. Campbell.—There might be two ways of looking at it. There might be a sort of prejudice against the Indian product.

Dr. Matthai.—Supposing you are a quite disinterested purchaser in the market and you were looking at it and comparing it with the imported article?

Mr. Campbell.—I am not a buyer of this article but I can give you an estimate. If the French was selling at Rs. 40 in the actual market, the Perambur thread would not fetch more than Rs. 30.

Dr. Matthai.—What would say about the intrinsic value?

Mr. Campbell.—It ought to realise Rs. 33, perhaps Rs. 35.

Dr. Matthai.—We might put it at between Rs. 33 and 35?

Mr. Campbell.—Yes.

Dr. Matthai.—So that really the difference in price represents first of all the difference in quality which may be estimated at Rs. 5 a marc, and then the prejudice which may be estimated at another Rs. 5?

Mr. Campbell.—That is a matter which a weaver can size up much better than myself. I am not a buyer of this sort of stuff.

Dr. Matthai.—The figures that you have given us rather correspond with the information we have had. Surat thread at Madras sells at about Rs. 5 less than Perambur thread. That must be purely a question of quality, so that so far as the trade is concerned Rs. 5 represents the prejudice and Rs. 5 the quality. That is a rough way of stating it?

Mr. Campbell.—There is also a point with respect to prejudice, that it explains something which is not understandable. Whether it is prejudice or not, I can't say.

President.—It may represent I suppose to some extent the result of bargaining. Let me explain it this way: A trader in gold thread comes to the factory and he says "You have the advantage of a duty of 38 per cent, and therefore you are in a position to sell your gold thread very much cheaper than the imported gold thread. The duty represents Rs. 10 or 11: we can't possibly pay you Rs. 35 even if it is worth it, we can make an offer of Rs. 30." It is this action and re-action of the market which represents what we term prejudice, is that correct?

Mr. Campbell.—It is a delicate point. The actual user might not call it prejudice but might call it quality.

Dr. Matthai.—In the main this problem of prejudice arises in a great many industries where Indian products compete with products coming from abroad. It is a prejudice against a newcomer.

Mr. Campbell.—It is a matter of not advertising and becoming well-known: it is a matter of not having gained reputation. Once the reputation is established what you call prejudice against a newcomer is able to be overcome in course of time.

President.—Do you handle Surat gold thread at all?

Mr. Campbell.—Not except for observation purposes.

President.—What is your impression about the quality of Surat thread?

Mr. Campbell.—It is very mixed. There are almost all qualities produced in a very wide range from inferior to good.

President.—It is produced partly as a cottage industry and partly in factories?

Mr. Campbell.—Yes.

President.—Then I imagine the quality varies according to the method of production?

Mr. Campbell.—I have no idea: I have never been to Surat.

President.—To whom do you sell your gold thread?

Mr. Campbell.—To merchants and weavers?

President.—Do you sell direct to weavers?

Mr. Campbell.—We have a system of distributors.

President.—Can you tell me what articles this gold thread is mainly used for?

Mr. Campbell.—Mainly for turbans, cloths, shoulder cloths and ladies saris.

President.—What would be the most typical of the articles produced with gold thread?

Mr. Campbell.—Not being in that trade I have difficulty in saying exactly what it is used for. I am afraid I can't give a definite answer to that question.

President.—Where do you think we would be able to obtain that information?

Mr. Campbell.—In the various towns and centres making the different articles. One town may make saris, another shoulder cloths and so on.

Dr. Matthai.—Which are the biggest weaving centres where this thread is used?

Mr. Campbell.—Salem is probably the biggest.

Dr. Matthai.—Is there any big dealer in Salem from whom we can get evidence on this point?

Mr. Campbell.—I don't know anyone whom I can name.

Dr. Matthai.—Can any of your distributors give some idea of the cloth woven and the quantity of gold thread that enters into it and points of that kind?

President.—Perhaps you might be able at your leisure to obtain the information for us.

President.—The first point would be what one might describe as the typical article in the manufacture of which gold thread is used.

Dr. Matthai.—Give us three typical kinds of cloth in which gold thread is used.

Mr. Campbell.—Yes.

President.—The second point is the quantity of gold thread which is used in each article per unit.

Mr. Campbell.—Yes.

President.—Then the value of the total article as compared with the value of the gold thread content and also the value of the material other than gold thread. We want to ascertain whether in the case of imported gold thread it is used in the manufacture of articles of superior quality. For example take a saree which costs Rs. 70. The silk is of a very good quality and it is possible in an article like that, imported gold thread might be used almost exclusively. On the other hand if you had a saree where the silk was not quite so fine, it might not be worth while to use the best gold thread and so they would think it quite sufficient to take for that particular type of saree the Indian gold thread. For example the silk might not last long and it might not be worth while to use first class gold thread. Could you obtain information as to whether the Indian gold thread is used largely in the embroidery of inferior sarees?

Mr. Campbell.—Yes.

Dr. Matthai.—You might take each of these three kinds of typical cloth. You might give us a general idea as to the limit of price above which it may be presumed that imported thread would be used on each of these classes of cloth.

Mr. Campbell.—In this connection I would say that I am not in that trade at all. The suggestion is that we should put you in touch with people who can supply the information required.

President.—The suggestion is that you should obtain us information.

Mr. Campbell.—Yes, but it should not be considered as my evidence. I can make enquiries.

President.—It will be enough if you make enquiries and let us have a short note.

Mr. Campbell.—Yes.

Dr. Matthai.—You would not be responsible at all for the correctness of the statement.

Mr. Campbell.—Quite.

President.—If you can give the names of persons from whom we can verify these points, we shall be much obliged.

Mr. Campbell.—Yes.

President.—From your own experience you can state that the Indian gold thread is, as a rule, used in the embroidery of an inferior kind or lower priced article.

Mr. Campbell.—In a general sense it is so.

Dr. Matthai.—If you take a saree worth about Rs. 100, generally speaking do you think the thread used in it would be imported thread?

Mr. Campbell.—I have difficulty in answering that point with which I am not in touch. My impression is that a Rs. 100 saree would have imported thread.

Dr. Matthai.—It is that sort of information that you should try and collect for us.

Mr. Campbell.—I will try and collect as much information as I can.

President.—You say there are three kinds of gold thread, real, half fine imitation, and imitation.

Mr. Campbell.—Yes.

President.—Could you give us the definition of lametta?

Mr. Campbell.—Lametta is a fine silver wire flattened by means of a rolling process into a form of tape.

President.—We find in the Trade Returns two headings, gold thread and lametta.

Mr. Campbell.—There is an article imported as lametta which is sold as lametta. It is used for tinsel garlands. Garlands are very often made of it for display purposes and for decoration. This is also used in the

caps worn by Muhammadans. That is a lametta which is an article for sale and is imported as such.

Dr. Matthai.—That kind of lametta is never used in the making of thread here.

Mr. Campbell.—As far as I know it is not suitable.

Dr. Matthai.—Generally speaking that would be base metal.

Mr. Campbell.—It is all base metal. It is another section of trade.

President.—Everything is classed as real gold thread in the Customs tariff which contains more than a certain percentage of silver.

Mr. Campbell.—1·5 per cent. precious metal, gold or silver. If it is more than 1·5 per cent. they put it in the higher class.

President.—So that from the point of view of the Customs, it would fall into two classes, that is to say the first class would be containing 1·5 per cent. or more of precious metal and the second class would be anything below that.

Mr. Campbell.—Yes.

President.—But the trade distinguishes three classes.

Mr. Campbell.—From our point of view it is divided into three classes.

Dr. Matthai.—May I take it that as far as imitation is concerned (No. 3), that would not come under the classification of gold or silver thread even according to the Customs standard return, because it contains no gold or silver. It is base metal lametta wound on cotton and gold gilt. That would be entirely outside?

Mr. Campbell.—Yes, but it is not gold gilt.

Dr. Matthai.—It is only with regard to half fine imitation that a certain quantity might be classed by Customs as gold and silver thread, is that not so?

Mr. Campbell.—Yes.

Dr. Matthai.—Generally from your knowledge of the market, is there a very considerable portion of half fine imitation imported which is likely to be assessed at 38 per cent.?

Mr. Campbell.—Very little.

Dr. Matthai.—When the manufacturer knows that 1·5 is the standard applied, he would see to it that it doesn't come up to that standard.

Mr. Campbell.—Quite.

Dr. Matthai.—We may take it that the whole of the gold thread shown in the "Trade Journal" is probably real gold thread.

Mr. Campbell.—Yes.

President.—Now the Customs duty has varied considerably at different times. At one time it was 20 per cent.

Mr. Campbell.—Yes, it was, some 10 years ago.

President.—Have you any knowledge as to the respective prices of imported gold thread and Indian gold thread in those days?

Mr. Campbell.—In those days there was nothing appreciable, if any, of Indian gold thread.

President.—When did the appreciable quantity of Indian gold thread first come into the market?

Mr. Campbell.—After the war to put it in a general sense. I could not give a date.

President.—That is really when the duty was raised to 30 per cent., so that the imposition of the 30 per cent. duty had a definite result in encouraging the Indian manufacturer.

Mr. Campbell.—Undoubtedly.

President.—Since that time Indian gold thread has competed very strongly with the imported thread, is it not so?

Mr. Campbell.—Yes.

President.—Or shall we say that it affected the import of foreign gold thread?

Mr. Campbell.—I haven't got statistics to base any remark on that point.

President.—What is your recollection in your own trade?

Mr. Campbell.—In a general sense it has not made a great deal of difference. Your question is, has the French thread suffered due to the growth of the Indian thread?

President.—Yes.

Mr. Campbell.—To some extent.

Dr. Matthai.—The way in which the trade in imported gold thread is affected by the Indian thread, is this: at present there are certain grades of valuable cloth in the manufacture of which only imported thread is used. If the price of imported thread falls then a number of the higher inferior grades would begin to use imported thread, because it has become cheaper, is that not so?

Mr. Campbell.—Yes.

Dr. Matthai.—On the other side, supposing the quality of Indian gold thread improves and it begins to make a name in the market. Then a few of the lower superior grades of cloth which is now using imported thread would begin to use Indian thread. In other words the distinction is not a rigid distinction, but largely dependent on the relative price. That would be right?

Mr. Campbell.—Yes.

Dr. Matthai.—So far as I understand from your replies to the questionnaire, the increase in the duty has not materially affected the market for imported gold thread.

Mr. Campbell.—There is still a large demand for the imported thread.

Dr. Matthai.—Even this 38 per cent. has not materially affected.

Mr. Campbell.—We have not yet had time to feel the effect of the 38 per cent. It was only introduced very recently.

Dr. Matthai.—I suppose you would say that all the time the duty was standing at 30 per cent. there was no perceptible effect on the market for the imported thread?

Mr. Campbell.—There was some effect, but it was not much.

Dr. Matthai.—I am trying to understand what your position with regard to this matter is. We have seen your correspondence with the Government of India on the subject. I take it that your real objection to increasing the duty on gold thread is not so much that you lose your trade to the Indian manufacturer, but you lose your trade to the smuggler. That appears to be your main point.

Mr. Campbell.—Yes.

Dr. Matthai.—As far as quality is concerned, you are able to hold your own at present prices with Indian manufacturers.

Mr. Campbell.—Yes.

Dr. Matthai.—But you cannot hold your own with the smuggler. Is that not the position?

Mr. Campbell.—Quite so.

Dr. Matthai.—Supposing on an examination of this question, we arrive at the finding for argument's sake, that say, 30 or 35 per cent. duty is required for the Indian thread, I suppose if smuggling could to some extent be prevented, you would have no serious objection to the duty.

Mr. Campbell.—No, if we are protected against this unfair competition.

Dr. Matthai.—Then you would object very strongly to a duty of 30 per cent.

Mr. Campbell.—We had the duty of 30 per cent. for a good many years and carried on through it.

President.—The actual difference between the use of imported gold thread and Indian gold thread so far as a saree is concerned is only one or two rupees.

Mr. Campbell.—It depends on the width of the saree.

President.—Take the average saree costing about Rs. 60.

Mr. Campbell.—I think there would be a bigger difference. I am sorry I can't deal with it.

President.—The difference is Rs. 10 or Rs. 15 per marc in the market. I don't know how many marcs would go into the border of the saree.

Mr. Campbell.—The cloth manufacturer will be able to give you that information.

President.—We were told in Madras and we don't know whether it is correct or not, the difference in the actual market price of the gold thread used in a saree costing about Rs. 80 would be Rs. 2 according as it was imported or Indian. Of course if that was so, the difference would really have very little effect on the customer who always wishes to produce the best quality.

Mr. Campbell.—Yes.

President.—It would seem then that if the Indian industry was determined to obtain the whole market in gold thread, they should look perhaps more to improving their quality than to a difference in price resulting from the duty.

Mr. Campbell.—It seems so.

President.—I mean unless the duty went to 200 or 300 per cent. Apparently in many articles at any rate the difference in price will not be sufficiently large to divert custom to any great extent to the Indian articles.

Mr. Campbell.—Yes.

Dr. Matthai.—In answer to question 1, you say you have no accurate knowledge of the total trade of India. Last year looking at the "Trade Journal," the total value of gold and silver thread imported into the whole of India was about Rs. 37 lakhs. If you take a price of about Rs. 27 or Rs. 28, *c. i. f.* you get a quantity of 1.37 lakhs of marcs or roughly 70,000 lbs. as the total quantity of gold and silver thread imported into India. Assuming that is a correct figure, what I want to find out is what would be the proportion represented by the Madras trade?

Mr. Campbell.—Do you mean the trade of the Madras Presidency?

Dr. Matthai.—The trade of the Madras Presidency including Travancore and Mysore. I do not want any exact figure.

Mr. Campbell.—It is probably about half. I have no statistics to go on.

Dr. Matthai.—That is to say Madras probably is the most important centre of the trade in imported thread in India?

Mr. Campbell.—I think it is, but I do not know about the rest of India.

Dr. Matthai.—On those figures it would look as if Madras is probably the most important centre.

President.—So far as imports are concerned.

Dr. Matthai.—We examined the Inspector of Customs, who is on duty at Pondicherry, at Nellikuppam and he told us that, in spite of the improved measures they had been taking recently, the present value of gold thread imported into Pondicherry and smuggled into Madras every year was about Rs. 7 to Rs. 8 lakhs. If that is so, it looks to me that your statement that it is 20 per cent. of the Madras trade is an under-estimate.

Mr. Campbell.—Very possibly: I am not surprised.

Dr. Matthai.—It is a little under 20 per cent. of the whole of the Indian trade in imported thread.

Mr. Campbell.—20 per cent. is only an estimate. It is difficult to get at a figure like that accurately.

Dr. Matthai.—The point I want to raise is this. I notice in your old correspondence with the Government of India you wanted certain alterations in the Customs procedure. I think you suggested this alteration in the Land Customs Act, that is to say you suggested that culprits ought to be fined?

Mr. Campbell.—Yes, some time ago.

Dr. Matthai.—We have been told by the Inspector of Customs that this provision for imposing penalties has proved on the whole ineffective because it is very difficult to collect the fine as he has to refer the case to the District Magistrate and so on.

Mr. Campbell.—Yes.

Dr. Matthai.—Is there any kind of improvement in the methods of administration—you have been looking into this question now for many years—which is likely to reduce the amount of smuggling? If we ultimately find that a fairly high duty, say 30 per cent. or thereabouts is necessary for the sake of protecting the Indian industry and smuggling goes on to this extent, the consequence would be not merely that you, as honest traders, would be affected but that our scheme of protection may be rendered ineffective.

Mr. Campbell.—Quite so.

Dr. Matthai.—Therefore I was wondering whether there was any suggestion that you could make with regard to this which would reduce the amount of smuggling.

Mr. Campbell.—Do you mean suggestions as regards preventive measures?

Dr. Matthai.—Yes. The Customs people have done two things since you raised this question in 1923 or 1924. They have very considerably increased the staff and that has had some effect.

Mr. Campbell.—Yes.

Dr. Matthai.—They had the Land Customs Act amended, but that has proved ineffective. In spite of all that, at present it would look as if the quantity smuggled represented about one-fifth of the entire import trade in gold thread. That would affect to a material extent any scheme of protection. So, the question has got to be considered both from your point of view and from ours.

Mr. Campbell.—Yes.

Dr. Matthai.—Is there any kind of suggestion that you can make?

Mr. Campbell.—It is a very difficult problem and the only suggestion we can make we have already made. I cannot at the moment put forward any other.

Dr. Matthai.—We have been told by the Inspector of Land Customs that the smuggler works on a commission of about Rs. 6 per marc. If you take the price of a lb. of gold thread without duty at about Rs. 50, it means that so long as the duty is above 10 per cent. smuggling will go on, so that you are not likely to find an effective remedy by simply lowering the duty to 15 per cent.

Mr. Campbell.—We have represented to Government that 15 per cent. is the duty at which smuggling would cease.

Dr. Matthai.—In any case that solution is not likely to be effective because if, we consider that the industry deserves protection we may have to recommend a duty considerably above 15 per cent.

Mr. Campbell.—It is a problem which is outside my province.

Dr. Matthai.—You have no suggestions to make?

Mr. Campbell.—No.

President.—From what you say regarding the prejudice against the Indian article in the market, it appears that a duty of 15 per cent. would

hardly be sufficient to enable it to compete. There is a difference of five rupees in quality and a difference of five rupees in prejudice. So, it is ten rupees in all which is equal to a duty of 30 per cent.

Mr. Campbell.—On 15 per cent. duty there will certainly not be much in the way of protection to the Indian industry.

President.—Especially when one considers that the weavers—so we have been told in Madras—buy their gold thread by the measurement of 100 yards, that is about four annas worth at a time. Of course, even 30 per cent. duty does not allow much difference in the price per 100 yards.

Mr. Campbell.—No.

President.—So, if you reduce below that, it would not work.

Mr. Campbell.—No.

President.—So that we are up against the problem of either not protecting the Indian industry sufficiently or allowing the Indian industry to suffer from competition through smuggling.

Mr. Campbell.—Presumably it will suffer in any case.

President.—Unless you reduce the duty to 15 per cent.

Mr. Campbell.—Smuggling may at some time if not now affect the Indian industry.

Dr. Matthai.—It is bound to. That is a question which is important not merely from your point of view but from ours.

Mr. Campbell.—Yes.

President.—Do you think that the increase in the duty from 30 to 38 per cent. will have any appreciable effect on smuggling?

Mr. Campbell.—I fear it will.

Dr. Matthai.—We were told that there was some conference between representatives of French manufacturers in Madras a year or two ago and a kind of informal understanding was arrived at that they would as far as possible try and export to the ports in British India and not to Pondicherry.

Mr. Campbell.—I have no knowledge of any such conference.

Dr. Matthai.—If a conference of that kind had taken place I should have thought you would be one of the most important parties represented in it.

Mr. Campbell.—Presumably. We are largely interested in the trade.

Dr. Matthai.—Were you on furlough a year or two ago?

Mr. Campbell.—I was on furlough last year, but I am not the only member of the firm.

President.—We were told that Mr. Watkins called some of the leading importers together and informally made arrangements.

Mr. Campbell.—If my firm was referred to, I am unaware of it. I think I would have known if such a thing had happened.

Dr. Matthai.—On this general question about the case for protection. One of the points you are making is that the manufacture in France is highly specialised, that is to say gilding is done by one party, wire drawing is done by another and so on. You rather doubt whether it would be possible in India to achieve production on a sufficiently large scale for specialisation of that kind. I do not know if you have any information as to the usual average output of a French factory making gold and silver thread.

Mr. Campbell.—I have no information.

Dr. Matthai.—I was interested in this point because if you could achieve specialisation to that extent, then obviously there would be economies in French manufacture which it might not be easy for us to achieve here. But then as against that when we were examining the Perambur Gold Theard Works people last week in Madras we were told they were

working on an output of about 200 marcs a month just before they wound up. From their figures we tried to work out an estimate of costs for an output of 500 marcs a month and we found including works costs, overhead charges and a fair allowance for profit, about Rs. 28 a marc would be a fair selling price for it.

Mr. Campbell.—Do you mean the selling price?

Dr. Matthai.—Yes, including profit.

President.—That would give them 10 per cent. profit.

Dr. Matthai.—Taking the present selling price of imported thread, if you deduct the duty, you get precisely that figure, viz., Rs. 28. If these people on an output of about 500 marcs a month with their present experience could make their thread at a price which corresponds to the duty free price of imported thread it looks to me they have gone a long way.

Mr. Campbell.—If that is so, they have.

Dr. Matthai.—So that although the Indian industry may not be able to introduce economies of the kind that you suggest are practised in France I think in spite of that the Indian industry on the present showing has a fairly good case for protection. Suppose they are able to put on the market gold thread at a price of Rs. 28 which corresponds to the duty free price of imported thread, would you not admit that the Indian industry has made out a fairly good case for protection?

Mr. Campbell.—If I understand you correctly, it means that they are able to get a profit at that price whereas the duty free landed price is the cost to the importer.

Dr. Matthai.—No. The present selling price including landing charges, importers commission and their profit would be about Rs. 40 per marc.

Mr. Campbell.—Yes.

Dr. Matthai.—A large dealer can buy from you as importers at about Rs. 40. You knock the duty off and you roughly get Rs. 28 or Rs. 29.

Mr. Campbell.—Yes. You mean that the two qualities meet on the same level.

Dr. Matthai.—I am coming to that. I don't say that the qualities are the same.

Mr. Campbell.—I mean the articles.

Dr. Matthai.—Supposing you give them a chance of developing more skill, establishing connections in the market, it looks to me not at all improbable that in the course of say ten or 15 years they would be able to meet foreign competition without any duty.

Mr. Campbell.—They have made considerable progress in Indian manufacture.

President.—Already?

Mr. Campbell.—Yes, in recent years.

President.—Do you think that the quality of Indian gold thread has improved in recent years?

Mr. Campbell.—I think so.

Dr. Matthai.—So that it looks on the whole a fairly promising industry.

Mr. Campbell.—Provided the French competition is not too great due to specialising in three different sections on mass production lines.

President.—Your point is that firms which draw other kinds of wire and therefore have a very large output also draw a small proportion of silver thread. Therefore their overhead charges in the silver wire drawing are very much less than they would otherwise be.

Mr. Campbell.—That is my point.

President.—And the same applies to gilding.

Mr. Campbell.—Yes. On mass production lines, the overhead charges must be smaller.

Dr. Matthai.—There is one point there. In one of your replies you say that raw materials are of comparatively little importance since the value of the finished product is large as compared with the value of the raw materials. That is true if you compare the cost of the raw material with the selling price here. But I think that the position would be very different if you took the cost of the raw material as compared with the total cost of the French manufacturer. I think that the cost of the raw material would represent the bulk of the cost.

Mr. Campbell.—What is raw material to one is half manufactured product to another. You are up against that point there.

Dr. Matthai.—I will put the problem in this way. You take a mare of gold and silver finished thread. You take the cost of that at the factory in France. If you take the cost of silver, the cost of silk and the cost of gold, I think it is very probable that that would represent the bulk of the cost at the factory.

Mr. Campbell.—The raw material would be silver bar.

Dr. Matthai.—I am speaking of silver bar, silk and gold.

President.—Roughly $\frac{2}{3}$ this would represent the raw materials.

Mr. Campbell.—That is by weight.

Dr. Matthai.—No, by value.

Mr. Campbell.—It is a manufacturing point which I cannot deal with.

Dr. Matthai.—My point is this. If it is true that the cost of material is about 70 per cent. of the total cost then all these economies by specialization are restricted to 30 per cent. of the costs. You cannot achieve economy in materials by means of specialization. On the basis of the costs that we have received from these Perambur people, taking simply silver bar and raw silk and gold it was a little over 60 per cent. of the total cost. These three articles are all world commodities which are sold at world prices, the French manufacturer is paying much the same for these as we are paying out here.

Mr. Campbell.—There is nothing materially different in the prices of these I suppose.

Dr. Matthai.—So I think this is an industry which offers a considerable amount of promise in India.

Mr. Campbell.—The proportion you give is probably correct in weight but not in value.

President.—In value it comes to 75 per cent., that is to say 2,400 mares would mean a total cost of Rs. 65,000 of which the cost of raw materials was Rs. 50,000.

Mr. Campbell.—I am sorry I cannot say anything about this.

President.—You say in answer to question 13 “The manufacture of gold thread seems to have more of the characteristics of an art than a science”. What is the point exactly?

Mr. Campbell.—There are certain things that you cannot explain. For instance if I am an artist I can't impart my skill to you in any tangible way.

President.—What puzzles me is this. I could understand it being an art if it was a cottage industry because there art comes in in the wrapping of the gold foil round the silk but where it is a question of wire drawing by machinery it seems to me it is more a matter of care in handling.

Mr. Campbell.—You refer only to wire drawing?

President.—Yes. I understand practically the whole process is by machinery in France.

Mr. Campbell.—I believe so.

President.—So it appears to me that it would be more a matter of careful handling.

Mr. Campbell.—The personal element must enter into the process in spite of its being largely made by machinery.

Dr. Matthai.—If it were a secret process then it would be very difficult to develop the industry in a new country, but if it is a matter of general skill which you can develop with more experience, there is more hope for India?

Mr. Campbell.—If it is a matter of experience, time may do it.

Dr. Matthai.—How exactly is this *ad valorem* duty assessed? Is it assessed on the c. i. f. value or on the market price?

Mr. Campbell.—It is assessed on the c. i. f. value I think.

Dr. Matthai.—I notice that you are giving the duties on the assumption in every case that it is assessed on the c. i. f. but does that really correspond to the Customs practice? I understand the usual practice is to charge the duty on the wholesale market price less discount.

Mr. Campbell.—The practice may have varied.

Dr. Matthai.—It would make a considerable difference. If it is levied on the c. i. f. price it would be considerably smaller than if it is levied on the market price.

Mr. Campbell.—According to the circumstances of the market.

Dr. Matthai.—What is the usual practice?

Mr. Campbell.—I think it has been in both ways at different times.

Dr. Matthai.—For the purpose of arriving at the duty which the article bears now you think it would be on the whole safer to take the duty as assessed on the c. i. f. value?

Mr. Campbell.—Yes.

President.—You say in answer to question 16 (b) "Not within a reasonable period, say, 10 years". I rather gathered the impression from your examination this morning that it might be possible within ten years for the Indian industry so to develop as to be able to produce an article comparable to the foreign product. Obviously there are no insuperable objections once they attain sufficient skill, in producing sufficient gold thread to meet the whole market's demand.

Mr. Campbell.—It seems possible.

President.—Then your answer to question 16 (b) really refers to the period within which they may reasonably be expected to acquire the required skill to produce an article comparable to the foreign product?

Mr. Campbell.—Yes.

President.—In answer to question 19 you say "If the present Customs duty were raised the resulting price increase would reduce demand for cloths containing gold thread and thus compel weavers now engaged in production of such cloths to turn to other productions". But to give rise to unemployment the duty would have to be raised very high?

Mr. Campbell.—The duty is already very high and if a tariff is put on top of that, the present duty is a revenue one

President.—The point is unless the duty were raised to a very high level the increase in the cost of the finished article which is a luxury article would be so small as not really to affect the consumer.

Mr. Campbell.—I take the view that it would. It might affect it in this way, that people in this line of work might have to change over to different work.

Dr. Matthai.—The present rise from 30 to 38 per cent. has not apparently affected the demand for embroidered saris?

Mr. Campbell.—But sufficient time has not elapsed to have shown up all the effects of the change.

President.—Have you framed any sort of idea of the pitch of the duty which would seriously affect the trade of the weaver?

Mr. Campbell.—Anything further than 38 per cent.

President.—What is the position of Messrs. Peirce, Leslie and Company as regards this enquiry?

Mr. Campbell.—We have, as you have seen, appealed against the imposition of a duty of 38 per cent. as it will increase smuggling which would be detrimental to our interest.

President.—Your position is this: You wish Government, if possible, to reduce the present 38 per cent. duty to as near as would be consistent with protection to the Indian industry?

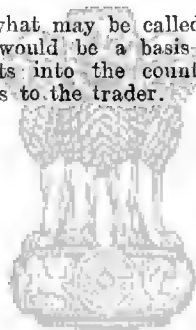
Mr. Campbell.—We want a reduction so that we can carry on our trade. We have a longstanding trade which we wish to carry on.

Dr. Matthai.—That is to say, you don't object to a reasonable protective duty to the Indian industry but what you do object to is a duty which is so high as to stimulate smuggling which would do harm both to you and the Indian industry?

Mr. Campbell.—A reasonable duty under which we can have a chance to carry on our business. We can't say so much against reasonable protection.

President.—Do you consider that the pitch of the duty should be about 15 per cent.

Mr. Campbell.—That is what may be called ideal and which we consider would stop smuggling. It would be a basis on which Government would get the duty on all imports into the country instead of partially, and there would be no unfairness to the trader.



सत्यमेव जयते

Messrs P. Orr and Sons, Limited.*Letter No. JMS-302, dated 24th June, 1930.*

We thank you for your letter 455 and 471 of 18th and 21st June respectively. We note that we have misunderstood the purport of your earlier letter of 14th instant, and thank you for drawing our attention to this.

We consider that the existing 38 per cent. duty gives adequate protection to the manufacturers in this country on silver goods. We (in addition to being the largest manufacturing silversmiths in India) also import a considerable quantity of silver and silver mounted goods, and the present protection, although damaging to us as importers of silver goods, still leaves a market for imported goods. In our opinion any increase of duty would without doubt lower our market for imported goods, and it is doubtful if we would make up this loss by the sale of Indian manufactured goods, as there is a demand by European and Indian high class customers for Hall Marked goods.

We have had many instances brought to our notice where silver goods, particularly silver cups, have been brought into this country without the Customs authorities being informed, and which in turn has affected business, so if any extension of the so-called protection to the silver plate and other silver manufactures was given, we think that the general public would be still much less inclined to declare for Customs purposes valuable articles of this description, when bringing them through the various ports. This, in our opinion, relates to slackness in a matter of practice.

We have reason to believe that our opinion expressed above would have the whole hearted support of the remaining manufacturers and importers of importance in other Presidency towns.

E. G. Cornet, Esq., Pondicherry.*Letter dated 22nd July, 1930.*

I have the honour to acknowledge receipt of your letter No. 538 of the 12th instant, and to forward herewith original and five true copies of—

1. A paper setting forth my replies to the Tariff Board's questionnaire regarding the Gold and Silver Thread industry; and
2. A statement of my views on the subject defined in the Press Communique which, however, is concerned with a totally different industry, one of whose objects is to supply a 'raw material' of the thread-making industry.

Enclosure No. 1.

REPLY TO QUESTIONNAIRE.**Market.**

When dealing with so-called "gold thread", one must distinguish Northern from Southern Indian markets: the gold thread is not the same in both cases; also, cotton is ordinarily used as foundation for the thread consumed North, whereas it is almost unknown down South.

In all my evidence and throughout this paper, I shall confine myself to Southern India—i.e., the Madras Presidency, Mysore and Travancore.

1. A private individual is hard put to give such an estimate. This much I can say in regard to South India:—

Imported threads.—Pre-war: It must have been in the neighbourhood of Rs. 12 lakhs in c.i.f. Indian-Port value yearly on an average.

Post-war: Likewise, about Rs. 10 lakhs yearly—except that an important fraction of this amount was smuggled in during the six years 1922-27. Since 1928, the quantity of smuggled goods has considerably decreased.

Indian threads.—Pre-war: Nil.

Post-war: From 1924, onwards, a small quantity has been consumed at "bankrupt" prices—hence, the failure of the Indian manufactures. This quantity may be roughly taken as worth Rs. 15,000 on an average for the quinquennium 1925-29, nearly all coming from Surat.

2. In the Southern districts of the Madras Presidency, in Mysore and Travancore.

My manufacturers, however, have connections throughout India and cover the North and West through agents in Bombay, Delhi and Benares, as far as I know.

3. In and adjoining the Madras Presidency, there are none such.

4. Pre-war, the import of gold thread was entirely an "indent" business. Post-war, only two established brands seem to continue this "indent" system, the others being imported and sold by sole agents or distributors.

Originally, therefore, the Indian-made stuff could not find any market in Southern India—i.e., so long as the distribution was controlled by the Sourashtra community. The War broke up this control—and the smuggling post—1921, did not merely do away altogether with the monopoly, but also ended the power of the Sourashtras,—and, incidentally, also the fortunes of most of the old-time distributing firms. And since 1925, or so, country-made goods is bought to a small extent during the off-seasons for the weaving of very cheap cloths that are to be sold off quickly, i.e., cloths that will not be stocked. And the sale of these threads is largely effected by itinerant hawkers.

5. Smuggling existed even before the War: on a microscopic scale, however, the Customs tariff, being 5 per cent. on a c.i.f. value comprised between Rs. 20 and 28, i.e., the smuggler's margin was less than Rs. 1-8 per packet.

Smuggling has been going on actively, ever since the exorbitant Customs tariff has created practically and definitely a kind of "official" bounty in favour of the smugglers: in 1921, the 20 per cent. tariff produced a smuggler's margin of Rs. 11 at least per packet; in 1922 the 30 per cent. tariff resulted in one of Rs. 17 to 18 and now in July, 1930, the 38 per cent. tariff yields a margin of Rs. 9 to 10 at least.

Given equal quality, of two equally well-known brands if one be smuggled in and the other be regularly imported, the former will oust the latter after a time, because of the difference in price.

Smuggling history throughout the world and through centuries shows that if profits to be derived are alluring, smuggling cannot be easily restrained or suppressed. And the figures given above as the smuggler's margin speak for themselves.

The crux of the matter, however, is in that *sine qua non* condition: "given equal quality" . . . That is why, I can state in regard to my own business, that smuggling does not affect me appreciably now—in 1930.

Competition.

6. France, by a long way in regard to 990/000 threads. Germany sells more imitation than real silver.

7. (a) and (b). I.—"Fine" or "High Standard" or "Real Silver" Threads.—These are of 990/000 standard in silver and the imported kinds fall into two broad categories:—

(a) the silk thread is dyed more or less red,

(b) the silk thread is dyed yellow.

The former is almost exclusively consumed in the Southern and Central districts of the Presidency; the latter in the Northern Circars and in the Nizam's territory.

Each of these categories is sub-divided according to the richness or depth of the gilding: the designations of these sub-divisions vary with the maker. The richer gilding is required for the deep hues of dyed silk and cotton cloths; the less gilt, for the pale hues and the white silk and cotton cloths.

Within certain limits, all lengths can be manufactured, but the standard qualities of fair consumption, when actually measured, will show lengths comprised between 10,000 and 16,000 yards to the marc of 8 oz., i.e., of 20 tolas $\frac{1}{2}$.

Pre-war, each maker produced numerous lengths and gildings according to the wishes of the "indentor"; but, the post-war tendency has been to reduce the number and to standardise the lengths—as well as the gildings—thus concentrating on half a dozen "qualities", even on fewer . . .

II.—"Half-fine" or "Low Standard" or "Imitation" Threads.—These contain copper—or do not (these latter are styled "white metal"). The former obtain by far the larger consumption.

They can be made of either cotton or silk: cotton is that most consumed. These latter measure mostly between 8,500 and 11,000 yards per marc and cannot usually exceed 13,000 yards.

(c) In the South, the 990/000 on silk thread is almost exclusively used for silk cloths of all values, as also for cotton cloths of extra and average fineness; likewise in the Circars.

Salem, Dindigul, Coimbatore and, in a lesser degree, Bangalore consume imitation threads on cotton.

(d) Competition does not exist as such The Indian product has no status—and will be bought only if the rate is sufficiently low to attract the consumer and only when the latter is out to weave the very cheap cloth of the cloth for immediate sale. Often, the Indian product will, in the weaving, be mixed up with the French thread to give it some "body".

8. I cannot say!

These are incommensurable between them: the dearest half-fine marc is retailed at less than Rs. 7/8 and though made in Europe is nevertheless a thread containing copper. Whereas, the cheapest Surat silver marc could not be had for less than Rs. 27 or 28, if of 990/000 standard. The former could not be used with impunity in place of the latter for cloths that are to be laundered.

9. France and Germany.

10. (1) Put in the above form, the question cannot produce satisfactory replies, especially if comparison with pre-war conditions is desired.

To begin with, rates were invariably quoted, until the great crisis of 1920-21 in rupees, when sterling quotations became the order of the day. My manufacturers kept to the rupee quotation until December, 1923, except for the short period of the last six weeks in 1920—a disastrous experiment! From January 1st, 1924, they have sold their goods on sterling quotations. The tables giving the statistics asked by the Board are not therefore set out entirely in sterling: they are so only as from 1924.

Secondly, the rates quoted by the manufacturers were invariably c.i.f. Indian-Port and until the end of the War, by far the major portion of the imports came in post parcels.

It is, however, possible to furnish an approximation of (1) freight and (2) insurance and trade charges, if by trade charges are meant the stamp and other fiscal charges and Bank charges:

Freight and Insurance . . . 2 to 2½ per cent. of the c.i.f. quotation.

Trade charges 2 per cent. of the c.i.f. quotation.

Between July, 1914, and December, 1918, a premium was paid for "War Risks" and this varied from ½ per cent. to 7½ per cent. of the c.i.f. quotation.

Thirdly, Landing charges operate only when the goods come in cases—to a much less extent when they are forwarded by post. These amount to 2 as. to 2½ as. per marc.

Fourthly, Customs duty being *ad valorem* and reckoned generally on the original invoice value varied naturally with the prices in amount. Post-war Government conversion exchange rate for assessment in rupees was another element of variation.

As I cannot furnish confidential statistics for other than my own goods, I shall confine myself to the rates I paid to my manufacturers.

That these rates approximate closely to those of other makers is proved by the successful sale of my threads—the success being due to their quality. The figures can therefore be taken as being approximately correct for all Lyon makes of equal quality, and the general trend gathered therefrom.

I give the rates for the three principal lengths and the depths of gildings mostly consumed: see Schedule A.

(2) I have not access to such figures. Moreover, they would be deceptive requiring an intimate knowledge of the varying financial positions of the various Indian makers, when they effected their sales, in order to appreciate the comparative value of these Indian-made goods.

11. (a) No. They have sold at a profit.

(b) If by producer is meant, not merely the merchant-firm that exports the finished article to India, but rather the complex whole made up of this merchant-firm and of the specialised firms silk suppliers, lametta makers, dyers, winders and gilders (see reply to question 13), then undoubtedly “the producer” obtains a fair margin of profit. Occasionally however, one or more amongst them cuts or cut down his or their margin to zero, in order to keep going organisation, factory or personnel of piece-work people—just to tide over hard times. The merchant-firm’s margin is certainly the most precarious and uncertain of them all and is most likely the smallest also.

(c) No.

The above answers apply only to the French firms in Lyon, holding the Madras Presidency trade. I can say nothing in regard to any German firm.

12. (a) Only in the sense that the outlay must cover the plant and machinery of four different specialities: lametta making, dyeing, winding and gilding. All these require a goodly bit of capital.

(b) Yes—because the Indian manufacturer will not be able to secure sufficiently expert and specialised labour in sufficient quantity to produce even one-quarter of the consumption—let alone the whole consumption, especially in the thinner threads.

(c) Undoubtedly.

(d) Certainly. Selected silk and finer-count cotton and suitable lametta are not to be had in India.

(e) No.

(f) No. Moreover, if the “Indian manufacturer” is going to import either his silk or cotton threads and his silver lamettas from abroad, I fail to see how his gold thread can be termed “Indian” . . . It would be “Made in India” only in the same sense as in the case of motor-cars that are assembled in India with parts manufactured in Europe or America . . .

(g) This is controversial. Personally, I should say Yes, because the average Indian thinks in terms of “hoarding” (either in coin or bullion, jewels or land) and the emancipated business Indian of means prefers more spectacular and speculative ways of employing his ready capital. Gold thread business is not a safe industry: mere capital will not carry a manufacturer through, however, cheap and abundant it may be.

Are permanent disadvantages: (b), (c) and (d)—if by permanent is meant, their being irremovable for generations.

13. Undoubtedly, there is a difference readily recognisable in most cases by the weaver, the professional retailer and the initiated, provided the article is that actually put on the market; special samples are of no account! The difference can be seen.

In the smoothness of the winding, in the suppleness of the finished article, in the regularity and evenness of the gilding, in the permanency of the

lustre, in the not-disgorging and not-blackening of the thread when laundered, in its not being shredded or rubbed-off during the weaving processes, in its being true to description and standard as set out on the wrapper.

The quality of imported thread is due more particularly to the following factors:—

1. The silk thread used is picked specially and prepared for the purpose: specialised dealers supply it to the "gold thread manufacturers";
2. This silk is dyed by people who have specialised in its doing;
3. The silver lametta, eventually wound round the silk or cotton, is supplied by a very few specialised firms;
4. Once the winding is done, the thread is gilt by firms specialised in this process.

In Lyon, all these experts are to be found—at a price. Whereas in India, none are to be had at any price—and least of all one equally proficient in all these branches!

It there be any "secret processes", apart of the drawing of the silver lametta, only the hereditary knowledge and "feel" of the workpeople and the scientific training of the managers and supervisors, stimulated and developed by long and constant practice, could so be termed; it takes 8 to 10 months' continuous practice for a Lyon workgirl to produce the faultless winding of the staple quality I sell!

In the case of the lametta, if there be any "secret" it is indeed very closely guarded: presumably, it is the quasi-absence of brittleness in the French lametta used in this industry that is attributed to secret processes.

One and only one fact has emerged, to my knowledge:—Lyon and a certain portion of its countryside seem to possess a climatic or atmospheric advantage in regard to gold thread making. The Germans have done their hardest in their Nuremberg factories and have failed to dislodge Lyon. Likewise, the Italians at Milan. What is more, an attempt to set up the industry in St. Etienne, not far from Lyon, met with no success. It may be that the hygrometric conditions at Lyon are particularly suitable or favourable all the year round. Whatever it be, there it is.

14.

	(a)	(b)
	Per cent.	Per cent.
From 1894 to 1916	5	5
From 1916 to 1921	10	7½
1921-22	20	11
From 1922 to 1930	30	15
Since April 1st, 1930	38	15

(c)

	Silk	Cotton	Silver	Imitation
	Per cent.	Per cent.	Lametta.	Lametta.
From 1896 to 1916	5	Free	5	5
From 1916 to 1921	7½	Free	10	7½
1921-22	20	Free	20	11
From 1922 to 1930	30	5 per cent.	30	15
Since April 1st, 1930	30	5 per cent.	38	15

These duties have certainly hindered slightly the import of French 990/000 threads:—

- (1) Through perturbation on the local markets, caused by smuggled goods bringing down the consumers' rates and preventing partly the sale of duty-paid goods. Wholesale smuggling-in started only in 1921, when the 10 per cent. duty was doubled.
- (2) Through the higher cost of the properly imported thread—which automatically fixed values for the smuggled-in goods of identical quality.

But, these duties have in no wise encouraged the Indian industry! They have merely been used as an opportune argument by company-promoters! "The encouragement of Indian industry" has been the *leit-motiv* in the raising of the Customs duty from 10 per cent. to 38 per cent. in less than 10 years, and is put forth again in the hope of getting the duty up to 50 per cent.—i.e., in the hope of staving off a little longer the unpreventable!

In regard to imitation thread, I am not in a position to say anything very definite; although I have imported this from time to time I never considered it as being worth my while. I know that for some little time, the Indian article was able to get a market: I believe it was at a time when the imported article could not be sold in retail at less than Rs. 10 the *marc*—but, when the European firms specialising in the supply of imitation threads got going again after the great world crisis of 1920-21, the European article asserted itself once again. I do not believe that the 15 per cent. duty has restricted in any way the foreign competition or encouraged the Indian industry. But, in regard to imitation threads, I cannot be positive, this ground not being absolutely familiar to me.

The questionnaire asks for statistics of imports in support of my opinion: I cannot give figures for India, nor even for the Madras Presidency—as I am not placed to obtain such statistics. But I can form an opinion on the subject of the general trend [see last paragraph of reply to question No. 10 (1)] by scrutinising the figures that relate to my own purchases and sales. Schedule B gives these.

Lastly, I cannot adduce, as desired, production figures of Indian-made goods, not being in a position to obtain these.

But, to my mind, there is a very simple means of testing allegations of Indian manufacturers in regard to their productions and sales Government could easily obtain the income-tax returns filed by these same manufacturers during the past 5 or 10 years and a little close study of those returns would furnish statistics that could and should be tallied with those put forward now in support of the plea for protection! This checking and comparison might reveal startling facts!

Claim for protection.

15. A. My considered reply is: No.

Raw Materials.—Cotton and silk may be grown largely in India, but the industry requires particular selections of these raw materials—and these are not produced in India. Nor is silver lametta made in India of the quality necessary to compete with the French article.

Cheap Power.—This is a doubtful point.

Supply of Labour.—The highly skilled and specialised labour required in this industry is not obtainable in India—and if an abundance is required, it will not be obtainable for generations.

Home Market.—One undoubtedly exists, but only for a quality of goods at least equal in every respect to that of the foreign thread. If this quality cannot be supplied, the available home market for the Indian-made article will at once shrink.

Hence, in my opinion, it is the end of section (1) of paragraph 97 of the Fiscal Commission's Report that really applies to the present case: "... No industry which does not possess some comparative advantages will be able to compete with them on equal terms, and therefore the natural advantages possessed by an Indian industry should be analysed carefully, in order to ensure as far as possible that no industry is protected which will become a permanent burden on the community".

B. Even protected by a 100 per cent. customs duty, this industry will not develop in India—because weavers are not likely to use a thread which causes the cloth merchant to return the woven cloths as defective for any of several reasons.

The outcome of the imposition of a heavy customs duty on the imported threads will be the gradual disappearance of cloths ordinarily decorated with these: these threads will be confined to the very costly cloths, whose sale, of course, will be restricted. Hence, the duty will fail, not only as a protective tax, but also as a revenue-producing one, through greatly decreased imports—and, incidentally, will bring about the reduction in numbers and, perhaps, eventual disappearance of the weavers skilled in gold thread weaving.

C. This industry was originally oriental—in the case of India specifically Indian, circa 17th century—but technically and artistically crude. After the establishment of the French East India Company, samples were sent to France and French-made stuff was brought over so successfully—because of the perfecting of the quality—that it ousted the Indian article completely by the middle of the 19th century. The writer's grandfather's grandfather dealt in gold thread both in Pondicherry and in Chandernagore circa 1780.

Past and post-war records show that not even with heavy protection, the Indian goods can stand up to the French product: how could it do so without protection or bounty?

16. (a) No. From what precedes (replies to questions 12, 13, 14 and 15) it is obvious that it is not such an industry . . . !

(b) No. Same reasons as in reply to (a).

As a matter of fact, the history of the past two centuries point to the opposite in both cases (a) and (b), and the words of the Fiscal Commission in paragraph 98 that rightfully apply to the case are:—

"It is probable that such an industry will impose on the whole a greater burden on the consumer than its conditions really require,"

and the consumer in this instance being the Indian weaver, I shall quote appositely again from paragraph 99 of the Report:—

"It is possible that protection of some industry may affect injuriously the interests of other industries"

and from paragraph 101 further on:—

"Moreover, if protection is extended to an industry before it has begun to produce, or while it is producing a very small proportion of the needs of the country, a great and unnecessary burden will be imposed on the consumer. To protect by import duties an industry which supplies only one per cent. of the requirements of the country is an extravagance."

In the light of the above, certain figures published in the second paragraph of an article that appeared on July 14, 1930, in the "Madras Mail", reporting the sitting in Madras on the 8rd July, of the Tariff Board, justify the following conclusions:—

"Assuming that the imported Quantity of imitation thread is equal to that of real silver thread, since the latter's c.i.f. cost is at least five times that of the former, it follows that five-sixths of the total value imported represent the value of the imports in real silver thread."

This being so, five-sixths of Rs. 37 lakhs correspond to Rs. 31 lakhs.

Now the proportion between the alleged production of Rs. 75,000 worth of Indian-made silver thread to the imports worth Rs. 3,100,000 of real silver thread is one of less than $2\frac{1}{2}$ per cent.

Does such a proportion warrant protection?

And even if the figure of Rs. 31 lakhs be correct, it does not include the value of all the smuggled-in goods consumed during 1929. . ."

"Should the figures given in my reply to question No. 1 be correct approximations of the true state of affairs, then for the Madras Presidency, the proportion would be 15 to 1,000, i.e., $1\frac{1}{2}$ per cent. . ."

17. No. None whatever.

18. (a) 38 per cent. of the c.i.f. rate, i.e., 39½ per cent. of the factory cost price.

(b) About 4½ per cent. of the c.i.f. rate, or 4½ per cent. of the factory cost price.

19. To show that the handloom weaving in the Madras Presidency is particularly concerned in this matter and is feeling already the effects of the present protective rate, all I need do is to quote from a newspaper report dated April 4th, 1930, of a sitting of the Madras Textile Advisory Committee, under the presidency of the Hon'ble Mr. M. P. Southurathnam Iyer, Minister for Development:—

“The Madras Textile Advisory Committee decided to-day to recommend to the Government the removal of the duty on gold thread.

In considering the question of the removal of duty on gold thread, the Committee bore in mind that the French lace is fine, thin and superior in quality to the Indian mill-made lace or hand-made lace and that this particular quality is in greater demand amongst the handloom weavers than Indian lace.

If it is not possible to produce this quality in India at a favourable price, the removal of the duty seems absolutely necessary, as a reduction in the cost of this raw material, combined with the removal of the duty on fine yarns, will assist the handloom weavers in producing their cloth cheap and withstanding foreign competition.

Figures relating to the manufacture of gold thread in India are, however, not available.”

I happened on this report by chance at the time of its publication and it gladdened me, as I thought it foreshadowed a removal of an insufferable and useless lead. It rests with the Tariff Board to recommend authoritatively its early removal to the benevolent consideration of Government.

Confidential.

SCHEDULE A.

RATES.

The following are the c.i.f. Indian-Port rates paid by me: these rates include the cost, insurance and freight and trade charges. They do not include Customs duty nor Landing Charges.

Rupee quotations.

	1913-15.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1800 yards Extra Deep.	28 14	31 8 to 36 14	42 14	43 14 to 49 2	50 4	50 8	58 5 to 52 0	52 0	52 0 to 50 0
1600 yards Extra Deep.	27 0	29 8 to 35 0	41 0	42 0 to 47 4	48 12	48 12	56 11 to 52 12	54 0	50 4 to 43 4
1200 yards Extra Deep.	25 4	27 12 to 33 4	39 4	40 4 to 45 8	44 8	44 8	52 7 to 49 8	46 0	46 0 to 44 0
1200 yards Extra Deep, n. 140.			New Quality.				52 0	48 8	49 0 to 47 0

Sterling quotations.

	1924.	1925.	1926.	1927.	1928.	1929.	1930.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1800 yards Extra Deep	58 0 to 50 6	55 0 to 51 6	51 6 to 54 0	52 0 to 51 0	45 0 to 40 0	37 0 to 35 0	36 0 to 35 0
1600 yards Extra Deep	...	49 9	50 0 to 52 6	50 0 to 48 6	48 6	...	...
1600 yards Extra Deep, n. 140			New Quality.			35 0	35 0
1200 yards Extra Deep, n. 140	53 3 to 52 8	47 0 to 47 3	49 0 to 32 0	50 0 to 40 0	43 0	33 0	33 0

I now append for the years during which I imported into Madras my goods the cost prices in godown Madras, i.e., c.i.f. rate plus Customs duty and landing charges.

Rupee values.

Sterling values.

	1912-15.	1916-18.	1919.	1920.	1923.	1929.	1930 50 per cent.	1930 38 per cent.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	s. d.	s. d.	s. d.	s. d.
1200 yards Extra Deep.	20 10	30 12 to 50 0 did not exist	40 0	44 8	...	no more imported.		
1200 yards Extra Deep, n. 140.					...	43 3	43 3	45 9
1600 yards Extra Deep.	28 8	32 12 to 52 0 did not exist	53 12	53 12	...	no more imported.		
1600 yards Extra Deep, n. 140.					...	46 0	46 0	48 6
1800 yards Extra Deep.	30 8	34 12 to 54 4	55 3	55 12	52 6	48 6 to 46 0	47 3	48 6

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Confidential.

SCHEDULE B.

PURCHASES.

The amounts shown in rupees in round numbers are the actual sums disbursed by me. The amounts in Sterling, where shown, represent in round numbers the c.i.f. Indian-Port quoted by the Manufacturer: when no sterling amount is shown, the Manufacturer sold on rupee-quotations.

Imported in Madras:—

1919	Rs. 111,650	...
1920	Rs. 200,000	...
1921 (January and February)	Rs. 25,375 = £1,750	

Landed in Pondicherry:—

1921 (ten months)	Rs. 236,400	...
1922	Rs. 515,600	...
1923	Rs. 238,100	...
1924	Rs. 228,100 = £16,100	
1925	Rs. 133,650 = £10,050	
1926	Rs. 178,800 = £12,800	
1927	Rs. 241,450 = £17,530	
1928 (six months)	Rs. 127,500 = £8,925	

Imported in Madras :—

1928 (November and December)	Rs. 9,160 = £685
1929	Rs. 75,000 = £5,575
1930 (six months)	Rs. 50,000 = £3,720

These figures show the cost of the purchases: f.o.b., plus freight, insurance and trade charges. They do not include Customs duty nor landing charges.

Enclosure No. 2.

STATEMENT.

In regard to the plea for the extension of protection to the manufacture in India of silver plate, silver thread and wire (including so-called gold thread and wire mainly made of silver), silver leaf and other silver manufactures.

I am not qualified to discuss the matter in regard to the silver plate industry.

I am concerned solely with the wire industry and its subsidiaries, because I was an importer of gilt silver wire and lametta and am still an importer of "gold and silver" threads; the exorbitant protective customs tariff killed the wire and lametta branch of my business.

It might revive possibly with a less heavy tariff, but there is, however, no guarantee that it will do so now after a strangulation that has lasted ten years. Even if it did, it would be very limited and restricted, negligible in fact for income purposes. Such a revival, if possible, could be attempted only if the tariff was reduced to 10 per cent. or less.

In practice, the effect of the heavy duty of 38 per cent. has been merely to diminish the artistic beauty of that class of Indian products, cloths, decorative ornaments and knick-knacks, embroideries, etc., which, though costly, are not exactly luxurious. For luxury articles, the makers can and do still afford to buy the European wire or thread in spite of the heavy duty; but it is not possible to do so for the former class.

That the Indian-made wire is good enough to replace the foreign one is merely a myth, propounded by interested parties. The continual clamour for the increasing of the duty is proof of this..... The tax goes mounting up, so does the price of the imported article, whose consumption goes decreasing; yet, the Indian-made stuff does not sell!..... Why? Because, it is unsuitable and cannot replace the imported article!..... And still its champions go on clamouring for an increase of duty.....

The silver wire business caters in the long run for the Central Asiatic trade. If this "raw material" is rendered costlier than over in India, that trade will probably look for it elsewhere!..... Will this encourage in any way the Indian-made wire?

The crux of this matter is in the "drawing" of the silver wire without its being too brittle. Indian wire has not achieved this: hence, its failure!.....

In a vain attempt to make up for this failure, Government have been induced somehow into burdening—not merely this silver wire trade—but also the far larger trade in so-called gold and silver threads with an enormous 38 per cent. *ad valorem* Customs tax.

I submit that it is to the interest of the tens of thousands of handloom weavers to see the Customs duty on "silver wire and lametta" and "gold and silver thread" reduced from 38 per cent. to 15 per cent., the general tariff rate, the former high rate having been established in a vain attempt to protect a few dozens of unsuccessful silver wire-drawers and gold thread makers.

Messrs. A. T. Palanpurvala, Bombay.

A.—WRITTEN.

Letter dated 9th August, 1930.

We beg to acknowledge receipt of your letter, dated 29th ultimo and as requested therein enclose herewith our answers to the questionnaire received with your letter.

We may however say that as our business is almost entirely restricted to Imitation qualities we cannot accurately express our views regarding Real Gold and Silver Threads our dealings in same being almost negligible.

Enclosure.

1. Do not know.
 2. Bombay, Surat and Northern India.
 - 3—5. Do not know.
 6. France and Germany.
 7. (a) Imitation and Real.
 - (b) Made of cotton yarn and metal plate: Made of cotton or silk thread and silver plate.
 - (c) Both. Imitation as regards quantity: Real as regards value.
 - (d) Real.
 8. Nil, as far as we know, each being in demand among different classes of people.
 9. France and Germany.
 10. (i) We have no records to refer to but by memory might say—Imitation at about 5 to 36 shillings per pound c.i.f. in 1920 and now at about 2/6 to 18 shillings per pound, c.i.f. by gradual reduction of about 5 per cent. annually.

We have no idea about the prices of Real Threads.

 - (ii) We do not know.
 11. Yes, leaves only a small margin of profit to the producer.
 12. (a), (c), (d), (g) Yes—permanently.
 - (b), (e), (f) No.
 13. Yes, imported preferred.
 14. (a) 10 per cent., 20 per cent., 30 per cent. (period not known).
 - (b) 7½ per cent., 11 per cent., 15 per cent.
 - (c) Do not know.
 - (a) Restricted about 75 per cent. (as regards Real Threads).
 - (b) Encouraged about 75 per cent. (as regards Real Threads).
- Have no means of giving the required figures.
15. The industry is not likely to develop so rapidly as is desirable in the interest of the country.
 16. (a), (b) Yes.
 17. No.
 18. (a), (b) 8 to 10 per cent.
 19. The answer depends on the extent of protection that may be granted to the industry.

B.—ORAL.

Evidence of Mr. A. T. PALANPURVALA, recorded at Bombay on Tuesday, the 19th August, 1930.

President.—Mr. Palanpurvala, how long has your firm been engaged in gold thread business?

Mr. Palanpurvala.—For about 40 years.

President.—Where do you import from mostly?

Mr. Palanpurvala.—From France and Germany.

President.—Do you deal in real gold thread?

Mr. Palanpurvala.—For the past few years I have stopped importing real gold thread.

President.—When did you last import real gold thread?

Mr. Palanpurvala.—About five or six years ago.

President.—What was the reason for closing this branch of your business?

Mr. Palanpurvala.—It is not profitable to deal in it owing to local competition and the heavy import duty.

Dr. Matthai.—It is practically since the import duty was raised that you have stopped business in real gold thread?

Mr. Palanpurvala.—Even after that for a short time we imported.

Dr. Matthai.—When the import duty on real gold thread was 15 per cent. then it was fairly profitable to import real gold thread, but since the duty was raised to 30 per cent. it has not been profitable?

Mr. Palanpurvala.—That is so.

President.—What amount of gold thread did your firm import when it was dealing in real gold thread?

Mr. Palanpurvala.—About £8,000 worth of real gold thread.

President.—That is about a lakh of rupees worth a year?

Mr. Palanpurvala.—Yes.

President.—And what parts of the country did it go to? I mean where did it sell?

Mr. Palanpurvala.—Benares, Madras and Surat mostly.

Dr. Matthai.—What is your impression: is practically all the real gold thread now sold in this part of India made locally?

Mr. Palanpurvala.—Yes now-a-days.

Dr. Matthai.—Two other importers who were here last week to give evidence said that they have now practically stopped doing business in imported real gold thread, so that is confirmed by this evidence. The general impression is that practically the whole business in imported real gold thread on the Bombay side has stopped now. Is that correct?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—The trade returns published by Government still give about Rs. 12 lakhs as the value of the gold thread imported into Bombay and about six years ago it was about Rs. 10 lakhs, so that from the trade returns it would appear that there has not been any change, that we are getting practically the amount of gold thread we used to six years ago. That is not consistent with the statement that the importers have made before us.

Mr. Palanpurvala.—You say 'imported gold and silver thread'. Is it real or imitation?

Dr. Matthai.—They don't make any distinction in the Returns.

Mr. Palanpurvala.—There can't be any increase in real gold thread. The increase you state might chiefly consist of imitation and half fine.

President.—We find that real gold thread even though the fineness is the same differs in price very considerably. In Madras for instance some makers were invoicing their gold thread 1,200 yards to the ounce at Rs. 30 and some were invoicing it at about Rs. 25, *ex-duty*. What would be the difference in quality, the fineness being the same. Can you tell us?

Mr. Palanpurvala.—There must be some difference in gilding.

President.—Would there be a difference of Rs. 5 in gilding?

Mr. Palanpurvala.—It might be so if the thread is superior both in gilding as well as in finish.

President.—Would there be any difference in spinning? Would the finish be different?

Mr. Palanpurvala.—Yes.

President.—We were told in Madras that the Indian gold thread of the same fineness and length as the imported gold thread was different in finish and commanded a lower price.

Mr. Palanpurvala.—The local manufacture would not equal the imported thread.

President.—Is there a difference in the quality really?

Mr. Palanpurvala.—There is a difference in quality on account of finish as well as durability.

President.—Is there any imported gold thread which in quality is about the same as Indian gold thread of the same length: for instance if you take Indian gold thread 1,200 yards to the ounce and imported gold thread of the same length, is there any gold thread the durability of which and the spinning quality of which are comparable?

Mr. Palanpurvala.—The local manufacture would not equal the imported one.

President.—There will always be the difference whatever the price?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—The chief difference being the difference in the appearance and the gilding?

Mr. Palanpurvala.—Chiefly in shining.

Dr. Matthai.—That depends on the gilding, does it not?

Mr. Palanpurvala.—It is very often touched by hand by the workman when gilding so it is not so shiny whereas in France practically everything is done by machine.

President.—If you were to manufacture your gold thread here by machinery and so arranged it that your workmen could not touch it by hand, then it would be possible to turn out exactly the same thing?

Mr. Palanpurvala.—If the workmen are skilled that is quite possible.

Dr. Matthai.—There is a kind of real gold thread imported which is labelled "Extra Deep". That fetches a fairly high price. Indian thread—locally made real gold thread—would not in the matter of appearance be as good as this extra deep real gold thread, would it?

Mr. Palanpurvala.—Locally made thread cannot equal that.

Dr. Matthai.—Even the best kind of Indian made gold thread cannot compare in appearance with the extra deep, is that the position?

Mr. Palanpurvala.—That is so.

Dr. Matthai.—If we take the best kind of Indian made real gold thread would that be comparable with some quality of imported gold thread which is inferior to extra deep? For instance there is a quality called No. 3 Deep: would the best kind of Indian made real gold thread be comparable with No. 3 Deep imported real gold thread?

Mr. Palanpurvala.—Not in finish.

Dr. Matthai.—Even the best kind of thread.

Mr. Palanpurvala.—No, not in finish.

Dr. Matthai.—What exactly do you mean by finish?

Mr. Palanpurvala.—The Indian made is rather rough and not so smooth as the imported.

Dr. Matthai.—If you take imported gold thread which is 1,600 yards to an ounce and take Indian gold thread which is also 1,600 yards to an ounce, what approximately is the difference in the market in the price between these two?

Mr. Palanpurvala.—Silk quality?

Dr. Matthai.—Yes, silk yarn, gilt and containing the usual amount of silver and both having a fineness of 1,600 yards to an ounce—one is Indian and the other is imported: in the market by how much lower would the Indian thread sell?

Mr. Palanpurvala.—Rs. 6 to Rs. 7 a marc. The impression made on the buyer also accounts for it to some extent. The buyers are of opinion that the imported stuff is always better than the locally made stuff and the imported thread is more durable than the locally made ones.

President.—The buyers in certain markets only, because you were saying just now that Benares, Surat and Bombay use only Indian thread, is that not so? There is no real gold thread imported from abroad into Bombay just now?

Mr. Palanpurvala.—There is a certain amount of importation of real gold thread, but not as much as before.

Dr. Matthai.—Your opinion is, in the market there is a difference against the Indian gold thread in regard to comparable qualities of about Rs. 6 or Rs. 7.

Mr. Palanpurvala.—Yes.

President.—Your business is concerned at present with the import of imitation gold thread?

Mr. Palanpurvala.—Yes.

President.—What are the qualities you import?

Mr. Palanpurvala.—Imitation and half fine of different grades.

President.—How many grades are there in half fine?

Mr. Palanpurvala.—10 to 15 qualities.

President.—Could you give us the descriptions of the main qualities which you chiefly import in half fine?

Mr. Palanpurvala.—About 1,000 to 1,200 yards mostly.

President.—That contains less than 1½ per cent of precious metal?

Mr. Palanpurvala.—Yes.

President.—That is imported from France mainly?

Mr. Palanpurvala.—We don't import anything from France. We import only from Germany, but the importation is both from France and Germany.

President.—Is its foundation cotton thread or silk?

Mr. Palanpurvala.—Cotton.

Dr. Matthai.—The difference between half fine imitation and imitation is that half fine imitation is gilt and the other is not?

Mr. Palanpurvala.—Yes, half fine is gilt, whereas the other is not.

President.—The other is simply of white metal?

Mr. Palanpurvala.—It is simply of metal.

Dr. Matthai.—What is the composition of this base metal? Is it copper?

Mr. Palanpurvala.—In half fine copper and in imitation yellow metal.

Dr. Matthai.—In both cases it is cotton yarn?

Mr. Palanpurvala.—Yes.

President.—Taking your half fine of 1,200 yards to an ounce, what would be the c.i.f. price per lb. approximately? Do you sell it by lb. or by the marc?

Mr. Palanpurvala.—By the marc.

President.—What is the price per marc?

Mr. Palanpurvala.—From 6 to 10 shillings a marc.

President.—What is the present price of 1,200 yards?

Mr. Palanpurvala.—There are different qualities in 1,200 yards.

Dr. Matthai.—The difference in the quality of 1,200 yards depends on gilding?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—Supposing you take extra deep in half fine imitation of 1,200 yards, it is about 10 shillings?

Mr. Palanpurvala.—Yes.

President.—And the lowest price is 6 shillings?

Mr. Palanpurvala.—Yes.

President.—How much of this class of half fine imitation do you import in the year?

Mr. Palanpurvala.—About £1,500 in value.

President.—The market price of this half fine imitation would be somewhere about Rs. 8 a marc?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—Are there others like you in Bombay who are importing in the main imitation and half fine imitation?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—Since the increase in the duty has made the importation of real gold thread unprofitable, practically all the imports now in Bombay consist of half fine imitation and imitation, is that so?

Mr. Palanpurvala.—There are many who are importing half fine imitation and imitation.

Dr. Matthai.—There has been some increase in the imports of half fine imitation and imitation during the past few years.

Mr. Palanpurvala.—There might be some increase in the importation of these qualities.

Dr. Matthai.—People who are importing real gold thread find that it is difficult on account of the duty to sell that in competition with Indian gold thread and therefore they are turning more to the importation of imitation and half fine imitation than to real gold thread?

Mr. Palanpurvala.—I can't say whether it is due to the competition with real gold thread. There might be more demand for this inferior quality.

Dr. Matthai.—I take it that imitation thread is very inferior quality. That never comes in competition with Indian real gold thread, does it?

Mr. Palanpurvala.—No.

Dr. Matthai.—They are entirely of different classes?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—There is a certain amount of competition however between half fine imitation and the inferior classes of Indian made real gold thread?

Mr. Palanpurvala.—There cannot be competition in that.

Dr. Matthai.—If we take an inferior kind of sari, some cheap silk sari or a cotton sari, and if imported gold thread, say, about 1,000 yards to an ounce is fairly expensive, then is it not likely that the consumer may say to himself: "this is after all a very inferior sari; Indian gold thread is

expensive, imitation gold thread in point of appearance is quite satisfactory although it doesn't last very long and therefore I would rather buy half fine imitation for this cheap sari than Indian made gold thread"? That kind of situation may arise in the market, because half fine imitation has a fairly good appearance and is cheaper.

Mr. Palanpurvala.—It depends on the purchaser. One who wants to buy a sari made of real gold thread would not buy a sari of half fine imitation, though it might look better in appearance.

Dr. Matthai.—If you take extra deep quality of half fine imitation and compare it with some inferior kind of gold thread made in India, although the real gold thread may be more lasting in quality, in the matter of appearance half fine imitation will be better?

Mr. Palanpurvala.—There is a difference like that. Half fine quality would look better.

Dr. Matthai.—It would appear better, but it has poor lasting quality?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—There are some kinds of inferior Indian real gold thread having a fineness of about 400 yards to an ounce. If I find side by side with that half fine imitation which is 700 or 800 or 1,000 yards, which is slightly less expensive and better in appearance, it is likely, is it not, that I would rather buy the half fine imitation than the Indian gold thread which is so coarse as to have only 400 yards to an ounce?

Mr. Palanpurvala.—The 400 yards thread is not used in weaving.

Dr. Matthai.—What is it used for?

Mr. Palanpurvala.—In knitting, braids, etc.

Dr. Matthai.—What is the most inferior kind of thread which can be used in weaving?

Mr. Palanpurvala.—Above 600 yards.

Dr. Matthai.—If I have Indian gold thread about 600 yards to an ounce I can use that for weaving?

Mr. Palanpurvala.—Yes.

President.—As regards the imitation, as distinct from half fine, how much of that do you import?

Mr. Palanpurvala.—About £50 worth of imitation per month.

President.—What is the chief length of the imports here?

Mr. Palanpurvala.—About 350 yards.

President.—Then, the imitation thread is not mainly used for weaving?

Mr. Palanpurvala.—Not for weaving.

President.—That is used for embroidery?

Mr. Palanpurvala.—Yes.

President.—What would be the c.i.f. price of imitation gold thread of 400 yards?

Mr. Palanpurvala.—3 shillings per lb.

Dr. Matthai.—What is your experience? Is there a considerable proportion of half fine imitation imported into Bombay which is assessed by the Customs Department at the higher duty of 38 per cent? If the imitation thread happens to contain more than 1.5 per cent. of precious metal, they assess it to the higher duty. Actually in your experience has there been any considerable proportion of half fine imitation imported which has been assessed by the Customs Department at the higher duty?

Mr. Palanpurvala.—Almost all are passed at the lower duty.

Dr. Matthai.—Just a small proportion only comes in at the higher duty?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—Roughly what is the percentage?

Mr. Palanpurvala.—About two to three per cent.

President.—Do you deal in Lametta at all?

Mr. Palanpurvala.—Mostly in lametta, wire, spangles and bouillon.

President.—Do you know whether there is any lametta, spangles or wire imported which would be classed as real gold thread and assessed at the higher duty?

Mr. Palanpurvala.—It is passed mostly at the lower rate of duty.

President.—May we take it that the entry in the trade returns under the head lametta is practically entirely imitation?

Mr. Palanpurvala.—It is altogether imitation, but the Customs might pass one or two per cent. at the higher rate of duty owing to uneven gilding.

President.—There is quite a big trade in spangles?

Mr. Palanpurvala.—Yes.

President.—These spangles are also manufactured in India of real silver and of real gold gilt wire?

Mr. Palanpurvala.—Yes.

President.—Do you find in your business much competition between the Indian spangles and the imported spangles?

Mr. Palanpurvala.—None at all.

President.—Why is that?

Mr. Palanpurvala.—We don't import real spangles.

President.—But your imported spangles must compete with the Indian made spangles.

Mr. Palanpurvala.—The Indian made spangles are made of real silver wire whereas our imports are imitation.

President.—But both are used for the same purposes.

Mr. Palanpurvala.—We have not encountered any competition between the two because those who want to buy the real stuff buy the locally made spangles.

President.—These imitation spangles, what sort of prices are they imported at? What is the c.i.f. price?

Mr. Palanpurvala.—2 to 3 shillings per lb.

President.—What would be the price of spangles manufactured in India?

Mr. Palanpurvala.—About Rs. 27 per lb.

Dr. Matthai.—That must be the price of high class Indian spangles. What is the price of the usual inferior kind of Indian made spangles?

Mr. Palanpurvala.—Spangles made of real silver wire are made in India, whereas what they make from imitation wire is always imported. The wire is imported and here is made into spangles.

Dr. Matthai.—You have given us a price of Rs. 27 per lb.

Mr. Palanpurvala.—That is made of real silver wire.

Dr. Matthai.—Is there any class of Indian made spangles—real silver spangles—which is worth less than Rs. 27?

Mr. Palanpurvala.—If it is larger in size, it might be cheaper.

Dr. Matthai.—By how much would it be cheaper?

Mr. Palanpurvala.—The price will vary from Rs. 25 to Rs. 40.

Dr. Matthai.—The range of variation is from Rs. 25 to 40?

Mr. Palanpurvala.—Yes.

Dr. Matthai.—What is the chief use to which the imported spangles are put?

Mr. Palanpurvala.—On dresses.

Dr. Matthai.—What kind of dresses, cotton or silk?

Mr. Palanpurvala.—On velvet, silk and laces, i.e., borders.

Dr. Matthai.—On velvet, would they care to use imported imitation lametta?

Mr. Palanpurvala.—They do use. There are velvets of cheaper quality as well.

Dr. Matthai.—Indian made spangles are also used for velvet?

Mr. Palanpurvala.—Yes, for better qualities of silk and velvet.

Dr. Matthai.—Is there a large quantity of real silver and gold gilt spangles made in Bombay or in Surat now?

Mr. Palanpurvala.—Only to a very small extent as compared with the amount of imported stuff.

Dr. Matthai.—Was there ever a time when you imported real spangles from other countries?

Mr. Palanpurvala.—Never.

Dr. Matthai.—I notice looking at the trade returns that during the past 6 years the amount of imported lametta, that is to say spangles and things of that kind, has increased from about 2½ lakhs of lbs. to about 6 lakhs of lbs. That shows of course a very considerable increase in the business.

Mr. Palanpurvala.—It is chiefly due to the larger importation of imitation wire which is mostly used by the local manufacturers.

Dr. Matthai.—The wire is imported and then the spangles are made?

Mr. Palanpurvala.—Yes, from the wire. The thread is also made out of that wire.

Dr. Matthai.—Your suggestion is that a large part of the lametta imported consists not of spangles but of wire?

Mr. Palanpurvala.—Spangles are not made of lametta, which is flattened wire.

Dr. Matthai.—If wire is imported, in the Customs returns where would it be shewn? It would be shewn under the head lametta?

Mr. Palanpurvala.—I cannot say under what heading the Customs authorities classify these articles.

Dr. Matthai.—But the increase in the figures that I mentioned is shewn under lametta.

Mr. Palanpurvala.—Are there other headings for wire?

Dr. Matthai.—I do not know under what heading this is classified.

Mr. Palanpurvala.—I also do not know.

Dr. Matthai.—Very probably spangles would be shewn under lametta.

Mr. Palanpurvala.—Why?

Dr. Matthai.—Because it is flattened. . . .

Mr. Palanpurvala.—Spangles are made directly from wire.

Dr. Matthai.—You generally get a wire, press it and flatten it.

Mr. Palanpurvala.—Lametta is flattened when imported, whereas spangles are made from the wire itself.

Dr. Matthai.—If what is shewn as lametta in the trade returns does not include wire, and does not include spangles, then it is very difficult to account for this large quantity imported unless you assume that a large quantity of lametta is brought into this country and here worked up into imitation gold thread, but there is no imitation gold thread made in India.

Mr. Palanpurvala.—If there is any increase in the import of lametta it must be due to the larger use of laces which are made of lametta. These laces are made in Bangalore and Delhi.

President.—In what form is this lametta imported?

Mr. Palanpurvala.—On wooden reels.

President.—It is not imported ready made up into various shapes?

Mr. Palanpurvala.—No.

President.—From your point of view as importers, supposing we were to make a recommendation to the Government of India, and if it was accepted,

that the duty on imitation and half fine gold thread and lametta should be raised from 15 to 30 per cent. would that affect your business at all?

Mr. Palanpurvala.—Of course it would.

President.—But actually the price of this imitation gold thread is very low, in some cases it is 2 shillings per lb. If we were to put a duty of 30 instead of 15 per cent. the increase in the cost of the finished article would be very small.

Mr. Palanpurvala.—Yes. But this imitation is used by very poor classes of people and if the duty is raised and the material becomes dearer, then they would cease buying it altogether.

President.—So you think that your trade would be restricted by an increase in the duty?

Mr. Palanpurvala.—Yes.

President.—You don't think that the custom would be diverted from imitation gold thread to real gold thread if we put a duty of 30 per cent. on imitation gold thread?

Mr. Palanpurvala.—Our business would suffer whereas the local industry would benefit.



सत्यमेव जयते

Messrs. Walter N. Cresswell & Co., Ltd., Bombay.

(1) *Letter No. 1/2882, dated the 11th August, 1930.*

In reply to your No. 588, dated 29th ultimo, we have pleasure in enclosing our replies to your questionnaire, with 5 spare copies as requested.

Enclosure.

Market.

1. We regret we cannot give any accurate estimate of gold and silver thread consumed in India, either imported or manufactured locally.

2. Benares, Surat, Coimbatore, Salem, Dindigal, Madura, Khambat, Secunderabad and Bangalore.

3. Yes, in Benares and Surat. We do not know the approximate demand in each.

4. Judging from the decline in imports, we would roughly estimate the consumption to be 75 per cent. Indian manufacture and 25 per cent. imported.

5. Yes. On account of the high duty, the Indian manufacturers also received an advantage over imported goods. It is, therefore, difficult to estimate how much the decline in imports is due to smuggling and how much to business passing to indigenous manufactures.

Competition.

6. France and Germany, but principally the former country.

7. (a) (1) Real on silk and cotton.

(2) German Silver gilt thread.

(3) Half Fine.

(4) Imitation.

(b) (1) Basis silver, gold plated.

(2) Basis German silver, gold plated.

(3) Basis copper and silver mixed, gold plated.

(4) Basis copper and cheap form of gilding.

(c) Real on silk and cotton and Imitation Half Fine.

(d) Real on silk and cotton.

8. Imported Imitation Half Fine certainly competes with Indian made Real. The increase of business in Half Fine has come about on account of the high duty on Real. The greatest demand, however, is for Real. Half Fine is not likely to make serious inroads into the demand for Real.

9. France and Germany, principally the former.

10. Real on silk (1127)—

Imitation Half Fine (1030)—

	Rs. A.		Rs. A.
1925 . . .	48 0	1926 . . .	11 0
1926 . . .	49 3	1927 . . .	11 6
1928 . . .	41 8	1928 . . .	9 3
1929 . . .	41 0	1929 . . .	8 6
1930 . . .	38 0	1930 . . .	8 0

Imitation (200)—

	Rs.	A.
1927 . . .	4	6
1928 . . .	3	10
1929 . . .	3	6
1930 . . .	3	4

The above prices are per bundle c.i.f. Bombay and include landing charges. Duty has to be added.

11. We cannot answer this question.

12. (a)—(f) No.

(g) We cannot answer this question.

We consider all the above to be permanent.

13. Yes. We do not consider that the better quality of imported gold thread depends on any secret process. To the best of our knowledge, the Continental learnt the art of making gold thread from the Indian.

14. We regret we cannot definitely state when the Import Duties changed. This information can be obtained from the Collector of Customs.

(a) When the duty was raised to 30 per cent. imports fell very considerably, and the indigenous manufactures increased.

(b) As above.

We cannot give figures of imports and production in support of our opinion. Our opinion is based on our own experience, information obtained from the Bazaar, and the fact that quite a number of Firms in Bombay have given up importing gold thread.

Claim for Protection.

15. (a) We consider that the Indian Industry is in a better position to compete against foreign competition inasmuch as the supplies of raw materials are plentiful, have the market at their door and, as far as we know, skilled labour is plentiful and cheap.

(b) The Indian Industry has already developed very considerably since the enhanced duty. Further protection will not help Indian made thread and will lead to increased smuggling.

(c) There is no reason why it should not except that there will always be a prejudice against the Indian made article unless the quality is improved. In our opinion, the Indian industry is more hampered by their own methods of doing business and competition amongst themselves, than by outside competition.

16. (a) No.

(b) The whole needs of the Country would be supplied now by home production.

17. No.

18. (a) 38 per cent.

(b) We cannot answer this question.

19. The Industry is already protected by a 38 per cent. duty. If this protection is increased, the cost of raw material to the actual user for weaving will increase.

(2) Letter dated 21st August, 1930, from Messrs. Walter N. Cresswell & Co., Ltd., Bombay.

In reply to your letter No. 669, dated 12th instant, our actual imports of real gold thread during the last three years are as follows: —

	£
1927	1,987
1928	6,342
1929	2,008

(3) Letter dated 29th August, 1930, from Messrs. Walter N. Cresswell & Co., Ltd., Bombay.

With reference to the information you asked me to try and get for you the other day, the following is the best I can do, which I hope will be of some service to your Board:—

Q.—What quantity of Gold Thread is sent by your dealers to Benares?

A.—I was not altogether correct in stating that our dealers supplied Gold Thread now to Benares. It is correct that at one time a very large quantity of our imports went there, but I now understand from my salesman that very little indeed finds its way to that city.

Q.—When did lengths below 1,200 yards stop?

A.—Very little business is being done in any lengths below 1,200 yards since the duty was raised from 5 per cent. some years ago.

Q.—What is the percentage of precious metal in a complete skein including silk?

A.—Roughly one-third thread, two-thirds precious metal.

Q.—Please obtain an Indian made and Continental made sample of about 1,800 yards, which would as far as possible be of equivalent qualities.

A.—I send you an Indian made bundle of 1,800 yards made in Surat, and a French made bundle also of 1,800 yards which is the nearest match I can get. The price of the former is Rs. 22-8 and the latter Rs. 34-14.

I might mention in parenthesis that I had to buy the Indian bundle and also the French bundle will have to be paid for. As these are expensive items, is there any prospect of Government paying for them since they wish to have these samples? If not, may they be returned to me when finished with?

MESSRS. CHUNILAL KUNVERJI AND COMPANY, BOMBAY.

B.—ORAL.

Evidence* of Mr. CHUNILAL, representing Messrs. Chunilal Kunverji and Company, recorded at Bombay on Friday, the 12th September, 1930.

President.—What is the name of your firm?

Mr. Chunilal.—My firm's name is Chunilal Kunverji and Company.

President.—Do you deal in gold thread?

Mr. Chunilal.—Yes, in imported gold thread.

President.—In real gold thread?

Mr. Chunilal.—In all the three kinds, real, half fine and imitation.

President.—How long have you been engaged in the trade?

Mr. Chunilal.—My firm is 22 years old and I am engaged in this business for the last seven or eight years.

President.—During the last ten years has there been any decrease in the import of real gold thread so far as your firm is concerned?

Mr. Chunilal.—Yes, there has been a decrease on the whole in all the three.

President.—In value I suppose?

Mr. Chunilal.—Yes.

President.—How much gold thread were you importing say about 1920?

Mr. Chunilal.—I can give you figures from 1925.

President.—That will do.

Mr. Chunilal.—I can give you only the statistics of my sales and not the imports. In 1925, our total sales came to about Rs. 3,60,000.

President.—What are your sales at present?

Mr. Chunilal.—In 1929 it was the same.

Dr. Matthai.—Was it about Rs. 3 lakhs for all the years since 1925?

Mr. Chunilal.—No, in 1926 it was Rs. 6 lakhs.

President.—In 1927?

Mr. Chunilal.—About Rs. 4,50,000.

President.—In 1928?

Mr. Chunilal.—About Rs. 6 lakhs again.

President.—And last year it was about Rs. 3 lakhs and a half.

Mr. Chunilal.—Rs. 3,60,000.

President.—Is it all real gold thread?

Mr. Chunilal.—No, this is the total.

President.—What about the real gold thread?

Mr. Chunilal.—I could give you only for two years.

President.—For the last two years?

Mr. Chunilal.—In 1925, the total value of real gold thread was Rs. 2,50,000, and in 1926, about Rs. 3,50,000.

President.—Last year how much?

Mr. Chunilal.—I find that I can only give you the percentage. Formerly it was three-fourths real and one-fourth half fine and imitation.

Dr. Matthai.—Of your total sales?

* The witness was unable to correct his evidence.

Mr. Chunilal.—Yes. About 1 to 2 per cent. of the whole sales is imitation.
President.—Now what is the percentage?

Mr. Chunilal.—The percentage has changed to two-thirds in the case of real gold thread and one-third in the case of half fine.

President.—How much real gold thread did you import last year?

Mr. Chunilal.—About Rs. 1,20,000.

President.—When did the shipments arrive?

Mr. Chunilal.—I can give you the total figure for 1928-29. Our year begins from Divali.

President.—Roughly from October 1928 to September 1929?

Mr. Chunilal.—Yes.

President.—Can you not give us later figures than that—that is from October 1929 onwards?

Mr. Chunilal.—The latest figures will be worthless on account of this extraordinary situation. We have not imported anything for the last four months.

President.—And before that? For the six months previous to that, did you import much?

Mr. Chunilal.—My shipments came up to May.

President.—How much did you import between Divali and May?

Mr. Chunilal.—I have not got the figures here.

President.—Could you say approximately?

Mr. Chunilal.—It would not be more than one lakh—I mean the total up till now.

Dr. Matthai.—Including all the three classes? That is from October 1929 to May 1930?

Mr. Chunilal.—Yes.

President.—Including half fine, imitation and real gold thread?

Mr. Chunilal.—Yes.

President.—Of which, two-thirds would be real gold thread?

Mr. Chunilal.—Yes, and one-third is half fine and imitation.

Dr. Matthai.—You mean about Rs. 60,000 is real gold thread?

Mr. Chunilal.—A bit less than Rs. 60,000.

President.—Say half a lakh?

Mr. Chunilal.—Yes.

President.—Could you give us an idea as to when the shipments arrive?

Mr. Chunilal.—They are spread over the whole year.

President.—What I want to find out is this. In the Customs returns which are published they make no distinction between real, half fine and imitation gold thread. They are all lumped together in one column which is headed gold thread. We are trying to get the figures from the Customs Department. It is very difficult for them to find out the proportion of each. So, I think you might help us in this way by giving us the approximate dates of your importation and the names of the boats also, so that we might write to the Collector of Customs.

Mr. Chunilal.—Only for this year do you require?

President.—Yes.

Mr. Chunilal.—I can give you the invoices.

President.—Could you do that?

Mr. Chunilal.—Yes, I shall send you the invoices and the bills of entry passed by the Customs.

President.—Would you send them round?

Mr. Chunilal.—Yes. The difficulty with the merchants is this. We are not direct importers. I am not supposed to have all the original invoices and

the bills of entry. For example, there are some offices through whom we import.

President.—Through whom?

Mr. Chunilal.—Through Walter Cresswell's. That is an example. There are three or four firms through whom the merchants are importing and we are also directly importing. So, it is nearly impossible to arrive at the correct figure.

Dr. Matthai.—Who are the chief people who import directly?

Mr. Chunilal.—Walter Cresswell, Hormusji and Company and Koday Bros.

Dr. Matthai.—What about Graham's Trading Company?

Mr. Chunilal.—They are not importing now. They were importing in 1925-26 and that too of only one make.

Dr. Matthai.—What make?

Mr. Chunilal.—D. . . . They were not direct importers. Their London firm was purchasing from Lyons and supplying the market.

President.—Supposing we asked Messrs. Cresswell and Company to give us their figures of import of gold thread for the last year, would they include your consignment also?

Mr. Chunilal.—Yes, they will include mine also. Their case is exceptional because they supply original invoices sometimes and sometimes we clear our own goods. When we have ready money with us, we clear it ourselves and when we have no ready money they clear it for us. We get the original invoices but not the bills of entry and Port Trust bills.

Dr. Matthai.—How much of this Rs. 1 lakh did you import directly?

Mr. Chunilal.—About half this year.

Dr. Matthai.—Your own direct importation would be about half generally?

Mr. Chunilal.—That has changed, because in 1925-26 I was in France and purchasing myself.

Dr. Matthai.—Were you doing the importation yourself?

Mr. Chunilal.—Yes. So, we cannot fix the percentage as to how much we import directly and indirectly.

Dr. Matthai.—What is your general impression? In the trade figures for Bombay for 1928-29, the total value of imports of gold thread including real, half fine and imitation is shewn as about Rs. 12 lakhs. Now what is your impression? How much of that is real gold thread? I will tell you why I am asking that. Messrs. Cresswell and Company came here to give evidence and they said that as far as they knew there was hardly any real gold thread now imported into Bombay. Then, the Graham's Trading Company also said much the same thing, and the Customs people also think that out of this Rs. 12 lakhs not more than Rs. 50,000 is real gold thread.

Mr. Chunilal.—In 1928-29?

President.—From the 1st of April 1929 to 31st of March 1930.

Mr. Chunilal.—From the 1st of April 1929 to 31st of March 1930, I would show you an import of Rs. 1 lakh. I will produce the drafts if necessary.

Dr. Matthai.—What kind of real gold thread is it?

Mr. Chunilal.—1,200 yards, 1,800 yards, 800 yards and so on, out of which half will be my own imports and half will be others.

Dr. Matthai.—Approximately what price is this 1,200 yards?

Mr. Chunilal.—On cotton or silk?

Dr. Matthai.—On silk.

Mr. Chunilal.—The price was between 35 and 40 shillings. Now it has gone down. For half fine imitation it was 23 shillings to 28 shillings, the average being 25 shillings.

President.—Would you produce whatever invoices you have got?

Mr. Chunilal.—Only for your perusal I suppose?

President.—Yes, and I shall let you have them back. You were saying something about Messrs. Cresswell's statement that very little real gold thread was being imported and I interrupted you.

Mr. Chunilal.—It is possible they might not have imported themselves because the prices were not suitable for them. As long as I was dealing with them—I stopped only in 1928—I could prove that they were importing for me up to Rs. 50,000.

President.—How has this 38 per cent. duty affected the import? Has it made any difference?

Mr. Chunilal.—We cannot say at present because since the 38 per cent. duty was imposed the situation became worse immediately. So we cannot mark out the effects of the situation as well as the effect of the increase in the duty.

President.—Where do you sell your gold thread mainly?

Mr. Chunilal.—In all parts of India.

President.—Where do you send it to?

Mr. Chunilal.—To South India, Guzerat, Kathiawar and Peshawar.

President.—To Surat also?

Mr. Chunilal.—Yes.

President.—Don't you send any to Benares?

Mr. Chunilal.—No.

President.—Why?

Mr. Chunilal.—Because they are making gold thread themselves. To Surat we are sending about 200 or 500 rupees worth of thread every month.

President.—Am I right in thinking that the remainder of the trade is in South India?

Mr. Chunilal.—Yes, we sell most of our stuff there.

Dr. Matthai.—Whereabout in Southern India?

Mr. Chunilal.—Madras, Salem, Madura and Coimbatore. We also send to Bangalore which is in Mysore.

Dr. Matthai.—If the total value of imports in 1929-30, that is from April 1929 to 31st March 1930, is about Rs. 12 lakhs, how much of that is real gold thread? What is the sort of estimate you will yourself form?

Mr. Chunilal.—At least Rs. 4 to 5 lakhs.

Dr. Matthai.—So much as that?

Mr. Chunilal.—Yes.

Dr. Matthai.—And half fine?

Mr. Chunilal.—If you deduct one or two per cent. for imitation, the remainder is half fine. Half fine includes the wire and lametta.

President.—What the Customs Department said was that about 10 per cent. was half fine imitation, about 1 per cent. was real gold thread and about 25 per cent. represented silk fabrics already embroidered with gold thread and the rest was imitation.

Mr. Kunverji.—I don't think that is correct.

Dr. Matthai.—On that estimate only about Rs. 50,000 at the most represents real gold thread.

Mr. Kunverji.—I am importing myself. In 1928 I imported Rs. 6 lakhs worth and in 1929 I imported gold thread worth Rs. 3,60,000. That is only one merchant and there are 8 such merchants. If the total of Rs. 12 lakhs imported into Bombay includes finished fabrics that is ridiculous. Here are two merchants who import more than I do.

Dr. Matthai.—Has he got his figures?

President.—Messrs. Cresswell gave their figures for last year as £2,000 for import of real gold thread.

Mr. Kunverji.—For last year it may be correct. They have lost the real gold thread market. Mr. Ghelabhai says that he is importing Rs. 4 lakhs worth. I am afraid that is within limits! He must be importing more.

Dr. Matthai.—How much of that is real gold thread?

Mr. Kunverji.—He has imported Rs. 2,75,000 worth of real gold thread.

Dr. Matthai.—That was in 1923-29?

Mr. Kunverji.—Yes.

President.—Could this gentleman send his invoices round?

Mr. Kunverji.—He says he has closed his imports of real since the duty of 38 per cent. has been imposed.

President.—When can you send your invoices round?

Mr. Kunverji.—I can send them on Monday by about 12 noon. Mr. Ghelabhai says he does not get anything direct; he can give you the names of the firms and you can get the original invoices from them.

Dr. Matthai.—I suppose this is true in any case that since 1925, there has been a fall in the imports of real gold thread and increase in the imports of half fine imitation. That on your figures is correct?

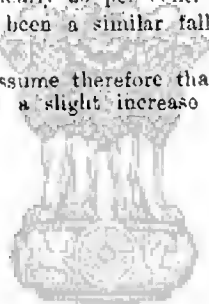
Mr. Kunverji.—There has been a slight change; from three-fourths it has gone up to two-thirds and from one-fourth it has gone up to one-third in value. The prices have gone down. The average price was 48 shillings in 1925-26 and now it is 38 shillings, nearly 25 per cent. decrease in price.

Dr. Matthai.—There has been a similar fall in half fine price?

Mr. Kunverji.—Yes.

Dr. Matthai.—We may assume therefore that there has been a slight fall in the quantity of real and a slight increase in the quantity of half fine thread.

Mr. Kunverji.—Yes.



सत्यमेव जयते

Chamber of Commerce, Bombay.

A.—WRITTEN.

Letter No. 551/263 of 1930, dated the 1st July, 1930.

I have the honour to inform you that the Resolution of the Government of India, Department of Commerce, No. 180-T. (12) of the 15th May, 1930, referring to the Tariff Board for investigation, the question of extending protection to the manufacture in India of silver plate, silver thread and wire, etc., has been under the consideration of the Committee of this Chamber who now desire me to communicate for the information of the Tariff Board their views on the subject.

I am in the first place to state that the question of the smuggling into India of gold thread has been before the Chamber on several occasions during the past five or six years. It is an undoubted fact that in cases where excessive Customs duties are levied there has always been an increase in smuggling and gold thread has not been an exception, as the heavy increase in smuggling of this article into India can be traced back to the period when the duty was enhanced. My Committee feel that if the already heavy duty is further increased the genuine import trade will be killed while the tendency will be for smuggling to increase and larger quantities of smuggled goods will find their way into the market at prices lower than those of local manufacture. This will undoubtedly be detrimental to the local industry. A further increase in duty will also tend to divert imports (not smuggled) from British ports to Indian States. My Committee are informed that there has been an increase in the transshipments from Bombay to ports in Indian States since the duty was raised.

The imported gold thread is a very much superior article to that of local manufacture and always has a ready market. The excessive duty induces unscrupulous importers to import "real" gold thread under "imitation" wrappers and to price and grade them as imitation. On arrival the goods are re-wrapped locally.

The present duty is 15 per cent. on imitation and 38 per cent. on real. My Committee would suggest that an all-round duty of say 25 per cent. would meet the case as this would have a tendency to encourage the legitimate import trade, to allay smuggling and still to give ample protection to the local industry. It will also do away with the present very unsatisfactory method of assessing duty at a certain percentage of the precious metal, a procedure that has been the cause of numerous arguments and disputes between the importers and the Customs authorities.

BOMBAY CHAMBER OF COMMERCE.

B.--ORAL.

Evidence of Messrs. W. M. MARTIN and H. A. HENRY, recorded at Bombay on Tuesday, the 12th August, 1936.

President.—Are you gentlemen appearing on behalf of the Bombay Chamber of Commerce?

Mr. Martin.—Yes, we are.

President.—With what firms are you connected?

Mr. Martin.—I am connected with Messrs. Walter N. Cresswell and Company.

President.—And you, Mr. Henry.

Mr. Henry.—I am connected with Messrs. Graham's Trading Company.

President.—Both the companies deal in gold thread?

Mr. Martin.—Yes.

President.—What is the extent of your imports in the course of a year?

Mr. Martin.—Ours at the present moment is not more than half a lakh. It has fallen considerably.

President.—Normally how much would it be?

Mr. Martin.—About two lakhs.

Mr. Henry.—We have not imported anything during the last 12 months. But previously it would probably be about half a lakh.

President.—In what particular lengths is the gold thread imported? First of all, is it imported from France?

Mr. Martin.—Yes, entirely from France.

President.—What are the lengths of your imports?

Mr. Martin.—1,200 to 2,000 yards.

President.—Anything below 1,200?

Mr. Martin.—Yes, in imitations we go down as low as 400.

President.—What is the greater proportion of your real gold thread?

Mr. Martin.—Now it is imitation half fine. At one time it was real.

President.—Speaking of real gold thread, what would be the greatest proportion—the 1,200, the 1,800 or the 2,000?

Mr. Martin.—I should think 1,800.

President.—That is to say, your main imports are connected with very fine thread?

Mr. Martin.—Yes.

President.—Is it the same with you, Mr. Henry?

Mr. Henry.—We have been doing business in fine gold thread of 1,200 yards in cotton and 1,600 yards in silk.

President.—The majority of your imports are fine?

Mr. Henry.—Yes.

President.—That would be about 1,600 or 1,800?

Mr. Henry.—1,600 and 1,200.

President.—Above 1,600, you don't import?

Mr. Henry.—No.

Dr. Matthai.—Might we take 1,600 as the typical kind of thread?

Mr. Henry.—Yes.

Dr. Matthai.—1,600 would represent the bulk of your imports?

Mr. Henry.—Yes.

President.—First of all I shall deal with the representation of the Bombay Chamber of Commerce. After we have dealt with that, we will examine you regarding the business of your firms. I observe that the Chamber is under a misapprehension as to the scope of this enquiry because it seems to be assumed that the object of the enquiry is to raise the revenue duty which already stands at 38 per cent. to some higher level. Our terms of reference do not necessarily contemplate that. We are asked whether a case for protection has been made out. That may imply that the present revenue duty is too high and that a portion of it only is required as a protective duty, though of course the remainder might be retained for revenue purposes. If revenue is not required it might be reduced. On the other hand it may mean that the present revenue duty, from the protective point of view, is too low and may have to be increased and again it may mean that no duty need be levied at all from the protective point of view. So, we are not in any way committed to considering whether the duty, from the protective point of view, is to be increased above 38 per cent. Equally it is open to us to recommend a reduction if necessary. The first point which the Chamber of Commerce makes is this question of smuggling. So far as can be ascertained from the Customs Department here I understand very little gold thread is smuggled on the Bombay side.

Mr. Martin.—I might add—of course it is a thing which I cannot substantiate—that a good deal of gold thread goes to Indian States.

Dr. Matthai.—Which particular State is it being sent to?

Mr. Martin.—Am I bound to answer that question? I am not committing myself to anything.

Dr. Matthai.—The point is this. A vague suggestion like that does not help us in the least. The question with which we are concerned is whether a high duty has the effect of stimulating smuggling. If it does, we must have some idea of the extent to which smuggling has been stimulated by this high duty and if you have any information as to the extent to which this high duty has encouraged smuggling it would be of help to us. I am asking you whether you have any information.

Mr. Martin.—As far as Bombay is concerned I should think there is no smuggling.

President.—That was what we understood to be the position. In Madras where Messrs. Peirce Leslie and Company are large importers of gold thread they definitely came forward with a statement which they were prepared to prove that there was a large amount of smuggling from Pondicherry. Except for this statement by the Bombay Chamber of Commerce we have had no allegations from firms in Bombay that there is any considerable smuggling of gold thread in this part of India, so that *prima facie* we are justified in concluding that smuggling is mainly confined to Pondicherry.

Mr. Martin.—So it is.

President.—That being so, the firms on this side of India at any rate are not really affected?

Mr. Martin.—We are affected inasmuch as the business is taken away from us. We are affected just as much as Madras. Bombay is merely a distributing centre, and there is very little weaving done here. All the stuff we import is sent up to Benares, Surat and various towns up-country which are also supplied by Madras and Pondicherry. So, it does affect us.

President.—You mean that the smuggled gold thread comes as far north as Surat or Benares?

Mr. Martin.—Of course, I cannot prove that.

President.—We have a definite statement as regards Benares that not one yard of imported gold thread has been sold there for the last two years whether smuggled or not smuggled.

Mr. Martin.—I should challenge that. Our dealers do send to Benares.

Mr. Henry.—Our dealers also have got connections with Benares.

President.—It would be useful if you could let us know how much gold thread you despatched to Benares in the course of the last year.

Mr. Henry.—We have not done any business during the last 12 months.

Mr. Martin.—If my dealers were prepared to give me that information, I would pass it on to you.

President.—You don't deal direct with the purchasers in Benares?

Mr. Martin.—No.

President.—You sell to wholesale dealers here leaving it to them to get rid of their gold thread in whatever markets they might consider fit?

Mr. Martin.—Yes.

President.—Would you please try and ascertain this for us?

Mr. Martin.—Yes.

President.—As regards smuggling in Pondicherry your Chamber of Commerce has no definite information. We have fairly good information already and I think you would probably not be able to help us much in that direction.

Dr. Matthai.—Are there any published figures regarding imports into the States?

Mr. Martin.—You can get them only if their respective Collectors of Customs keep statistics. Of course there are figures for transshipments from Bombay. But for some reason or other all the transshipment figures are shown against Karachi though I have ascertained that there is no gold thread sold in Karachi. We presume that it is because the ships go to Karachi.

Dr. Matthai.—I notice that, looking at the import figures, while the imports into Bombay in terms of value have remained fairly steady for four or five years, there is a marked increase in the imports of Karachi. Your suggestion I suppose is that part of that increase in the imports is not really imports into Karachi?

Mr. Martin.—I don't think it goes to Karachi. It is shewn like that because the steamer goes to Karachi but it is really sent to Kathiawar ports which are on the way.

President.—That is what your Committee refer to when they say that there has been an increase in the transshipment since the duty was raised?

Mr. Martin.—Yes.

President.—Have you any figures regarding that? The duty was raised last March.

Mr. Martin.—Yes.

President.—What Messrs. Peirce Leslie and Company told us in Madras was that it was too early to say what the effect of the duty was as regards smuggling. In Bombay you have definite figures?

Mr. Martin.—There are definite figures available in the Customs.

Dr. Matthai.—This point regarding imports into Karachi we can clear up with the Customs.

Mr. Martin.—Yes.

President.—You make a suggestion that the duty on "imitation" which is 15 per cent. should be levelled up to 25 per cent. and the duty on real gold thread which is now 38 per cent. should be reduced to 25 per cent. and you say that it will do away with the present very unsatisfactory method of assessing duty at a certain percentage of the precious metal.

Mr. Martin.—Yes.

President.—That does not seem to me to follow from the premises. We understand imitation gold thread is mainly brought in under the head "Lametta".

Mr. Martin.—It is brought in as imitation.

President.—We understand that what is classed under the head "Lametta" is mostly imitation.

Mr. Martin.—But it is not lametta.

President.—If we look at the price of lametta it works out at about Rs. 6 a lb. I suppose that that would be the price for imitation gold thread also?

Mr. Martin.—About that.

President.—Even the cheapest of the Indian manufactured real gold thread is not less than Rs. 40 per lb. Well, now if you have 25 per cent. duty on both, the foreign manufacturer might say "If I can get my real gold thread imported into India as imitation I can invoice it at Rs. 6 a lb. and 25 per cent. on Rs. 6 would be only Rs. 1-8, whereas if I invoice it as real gold thread, the duty would be much higher". So, the same inducement would exist for him to make a false declaration as exists now and I am puzzled in what way your proposal would help in the matter of doing away with the chemical examination of the thread.

Mr. Martin.—Except this: at the present moment the duty on gold thread containing 2 per cent. of precious metal is 38 per cent. and on thread containing less than 2 per cent. of precious metal 15 per cent. Most of the manufacturers endeavour to keep their percentage just below 2 per cent. in order that it may come in under the 15 per cent. rate. When the Customs here analyse it, it leads to a tremendous amount of argument between them and us. They say it is over 2 per cent. and we say it is not.

President.—I quite see that. But the necessity for some sort of chemical examination would still remain. Otherwise people might declare their real gold thread as imitation.

Mr. Martin.—They are liable to criminal action. Anybody can give a false invoice in any trade if he likes but if an importer is caught producing a wrong or an incorrect invoice he is liable to criminal action.

President.—Your point is that under the present conditions there may be a genuine doubt?

Mr. Martin.—Yes, we have proved that. We had our gold thread analysed by the Chemical Examiner to Government who said that the precious metal content was 2 per cent., but the Customs analysis showed over 2 per cent., so that it is very unsatisfactory from both sides.

President.—The idea is that a 25 per cent. duty applied to both articles would result in the elimination of doubtful cases because in either case the duty would be assessed on the real invoice value which of course we must presume would be correct?

Mr. Martin.—Yes.

President.—So that that is the object of the proposal?

Mr. Martin.—Yes.

President.—Do you have a great number of cases in the Customs?

Mr. Martin.—We had a lot recently.

President.—Is there any particular reason why?

Mr. Martin.—The reason is that with this assessment of duty at 38 per cent. on a 2 per cent. precious metal basis there is no doubt that the foreign manufacturers are sailing very close to the wind.

President.—I thought it was 1-5 per cent.

Dr. Matthai.—What we were told in Madras was that it is on 1-5 per cent. precious metal basis including both gold and silver.

Mr. Martin.—It must be the same all over India. It can't be different in Bombay. It is my mistake, it must be 1·5 per cent. and not 2 per cent.

President.—A difficulty of that sort might be got over by a slight variation in the percentage. Would the same difficulty arise if it was 1·5 per cent. instead of 2 per cent.?

Mr. Martin.—We would have the same difficulty. The manufacturer would then go slightly below 1·5 per cent. in order to get as good a thread as possible at a lower duty. Whatever percentage you fix, there are bound to be difficulties.

President.—From the point of view of protection of course the proposal to increase the duty on imitation thread appears to be unnecessary because, so far as we are able to see, the price at which imitation thread, whatever duty was put on, comes into the country is so low that any real gold thread made in India, however cheaply made, would not be able to compete so that it really does not affect the market for real gold thread in India.

Mr. Martin.—No, it does not.

Dr. Matthai.—Would there be great difficulty for the Customs to distinguish gold thread which contains about 5 per cent. of precious metal from gold thread containing 1·5 per cent.? That is to say, the necessity for analysis arises only with regard to cases bordering on this 2 per cent., does it not? If it is considerably higher it must be fairly obvious.

Mr. Martin.—It is not obvious to the eye. It must be analysed. You must have the percentage of precious metal actually analysed. You can't tell by looking at it.

President.—Is it really so very difficult for manufacturers? After all they have known for many years that the criterion between real gold thread and imitation gold thread is 1·5 per cent. precious metal.

Mr. Martin.—I presume the difficulty is that when you get to thread which is so fine, it is practically impossible to get the gilding absolutely even and some skeins may be slightly over and some under.

President.—After all the manufacturer takes his risk. If he is working to a very narrow margin, instead of working to 1·45, he should work to 1·35 per cent. There would be no difficulty in working it to a slightly lower basis.

Mr. Martin.—He wants to get the best article he can into the country but is handicapped by this high duty.

President.—The imitation looks the same as real gold thread?

Mr. Martin.—To the naked eye, yes. But the gilding wears off very quickly in imitation. If you get a high class gold thread it will last for ten years but in the imitation the gilding goes off in 12 months.

President.—It would go off whether it is 1·35 or 1·5?

Mr. Martin.—Yes.

President.—So that, is there practically very much in it?

Mr. Martin.—No, there is not, except that there is no doubt that the importers of real gold thread are greatly hampered by this fine margin.

President.—Why?

Mr. Martin.—Because as I said they try to get as near to 1·5 as possible and it causes trouble to the Customs.

President.—After all there should be no bother about real gold thread because they are working not on the 1·5 per cent. basis but on 75 per cent. basis. There is a considerable margin.

Mr. Martin.—But then the difference in the price between the 75 per cent. basis and the 1·5 per cent. is very much greater.

President.—I quite see that it can hamper the trade in imitation thread but I can't see why it hampers the trade in real gold thread because the margin is very big. What I mean is that these imported threads with a

very small percentage of precious metal are the ones which are on the border line, not the 1,800 yards first class real French gold thread. That cannot be hampered at all.

Mr. Martin.—What I mean is that the 75 per cent. gold thread business being killed by the Indian industry and the high duty.

President.—That is a different matter. We can quite understand a proposal to reduce the duty because the import trade in real gold thread is being killed but I can't understand that the real gold thread business is being hampered by this regulation of the Customs about percentage.

Mr. Martin.—As far as we are concerned real gold thread trade has stopped.

President.—Why?

Mr. Martin.—On account of the high duty. We can't pay 38 per cent. duty and compete against the Indian gold thread.

Dr. Matthai.—The trade figures don't seem to justify that suggestion. I don't find any marked difference in the trade figures as far as Bombay is concerned.

Mr. Martin.—As a matter of fact I have got the Customs figures and they staggered me. I am inclined to think that the Customs are not quite clear as regards gold thread and a lot of other things. I rather fancy that under gold thread they include embroideries of which there is a large import.

Dr. Matthai.—You mean fabric in which gold thread is used is entered by the Customs as gold thread?

Mr. Martin.—Yes.

President.—We were told by one of the shopkeepers who imports fancy goods, dress lengths and so on that he was, since this rise in the duty at any rate, being charged 38 per cent. not only on the estimated value of the gold thread but on the whole of the value of the article and they also mentioned this Customs regulation about 1.5 per cent. precious metal.

Dr. Matthai.—The position is this, that, if for example a silk saree is imported into Madras in which there is a considerable amount of gold thread, the whole value of the saree would go into the Customs returns as gold thread. Is that correct?

Mr. Martin.—I presume so though I have no experience of imports into Madras.

President.—Would you consider that a considerable proportion of this Rs. 37 lakhs which is shown in the returns as the value of gold thread imported really represents something in the nature of sarees and so on?

Mr. Martin.—I should think so.

President.—Could you give us any estimate of the gold thread imported into Bombay?

Mr. Martin.—We can't because we have to rely on the Customs returns.

President.—You say in your representation that "The imported gold thread is a very much superior article to that of local manufacture and always has a ready market". The latter portion should I suppose read in the past tense "had a ready market". Now apparently there is no market at all.

Mr. Martin.—Very little indeed.

President.—In what way would you say it is a superior article?

Mr. Martin.—The gilding is better and the more important thing is that the twisting is very much better. It is a very important thing in weaving.

President.—Here is a sample of Indian gold thread. (Handed in.)

Mr. Martin.—It is very difficult to give any opinion by merely glancing at it. It is certainly quite a good sample, but you can only give an opinion on the quality of a gold thread by seeing it after three or four years.

President.—It is really the market's estimation, not the importers' estimation?

Mr. Martin.—That is so: one lasts and the other doesn't, that is how you can distinguish a high class article.

Dr. Matthai.—When you speak of lasting do you refer to the gilding?

Mr. Martin.—Yes, and twisting. Incidentally the lametta in cheap gold thread is apt to peel off.

Dr. Matthai.—But chiefly I suppose it is the gilding?

Mr. Martin.—Gilding is a very important thing.

Dr. Matthai.—And the second in importance is twisting?

Mr. Martin.—Yes.

President.—You have perhaps seen in some of the shops in Bombay a lot of Indian gold embroidered cloths and so on which are perhaps 300 or 400 years old and they show no trace of deterioration so far as the gold thread is concerned. I understand that all that gold thread, some of which dates from the time of Akbar, was manufactured by what is known as the hot-plating method. They are still manufactured. That gold thread would be lasting?

Mr. Martin.—Certainly.

President.—So that when you refer to the imported article being a superior article you refer to gold thread manufactured in India by the electro-plating process?

Mr. Martin.—India does make extraordinarily good gold thread. In fact India has been the pioneer in gold thread business and the Indian can make as good gold thread as the foreigner.

President.—As far as hot-plated gold thread is concerned, that is at least equal if not superior and I think in the market it enjoys superior reputation.

Mr. Martin.—I think it does.

President.—If an Indian lady of high position purchasing a *saree* could be certain that hot-plated gold thread has been used in it she might be inclined to pay a little more for it?

Mr. Martin.—Yes. It contains of course more gold.

President.—The French imported gold thread I understand is plated only on one side?

Mr. Martin.—I don't know.

President.—The process I understand is this: first of all you manufacture your silver lametta which is then spun on silk and the complete article is then gold-plated. That means that only the outside is gold-plated. But in hot-plating it must be plated on both sides. You can take the embroidery in the bazar and the actual metal fetches a considerably higher price than the French article. So that your statement that the imported article is superior to the Indian gold thread refers to the Indian article manufactured by the same method?

Mr. Martin.—Yes.

President.—The imported gold thread generally speaking is finer than the Indian manufacture, is it not?

Mr. Martin.—I understand that the Indian manufactures even finer thread than the imported thread. You will find them going up to 2,500 yards: that is what I have been told.

President.—But generally speaking the imported French article is finer?

Mr. Martin.—Not necessarily: it depends on what it is used for. The finer the thread the better the cloth it is used for.

President.—What is your French thread used for?

Mr. Martin.—For *sarees*, braids and so on and the better stuff is made into coats which Indians use on festive occasions.

President.—If one were to employ the 600 yards thread for the same work for which you normally employ the 1,800 yards thread, what would be the result?

Mr. Martin.—I think the silk on which it would be worked would become stiff and look coarse.

President.—What about the wearing capacity of the silk?

Mr. Martin.—If you weave heavy thread on fine silk it would tear. I doubt whether it could be used at all on very fine silk. I should think that the 600 yards lengths and so on could only be used on silk which was very coarse.

President.—You have seen the detachable borders on sarees. I take it you buy them by the reel 2" wide and they are sewn on to the sarees. For that purpose a somewhat coarser thread is used, is it not?

Mr. Martin.—I should think the braids you are referring to are imported as braids. I don't think there is much braid making done in India.

President.—When you say "braid," you mean gold thread superimposed?

Mr. Martin.—Yes.

President.—I am referring to the type where gold thread is woven on a somewhat thicker silk.

Dr. Matthai.—What difference does it mean in the process of manufacture between say 1,200 yards and 1,600 yards? It depends mainly upon the fineness to which you are able to draw your silver wire?

Mr. Martin.—Yes.

Dr. Matthai.—I suppose the finer wire has got to be twisted on silk rather than on cotton?

Mr. Martin.—Not necessarily. The point is when you go up to a very fine thread, you are getting an expensive thread and it is therefore better to have it on silk, because it is stronger. If you twist it on cotton it would not be as strong as on silk.

Dr. Matthai.—Supposing you get an ounce of silver drawn up to 1,800 yards in length, and if you twisted that on silk thread, it would be lighter than if you twisted it on cotton?

Mr. Martin.—Yes.

Dr. Matthai.—Therefore, in the main, the finer your gold thread is, the more likely it is that the yarn will be silk rather than cotton?

Mr. Martin.—Yes.

President.—The expense of manufacturing this very fine gold thread lies, I suppose, in the high percentage of waste?

Mr. Martin.—I should think that in the case of very fine threads it is a question of skill and, as you suggest, there must probably be a lot of wastage.

President.—If you employ unskilled labour, there will be more wastage and it will be more expensive than paying high wages to skilled labour.

Mr. Martin.—Yes.

President.—It would be mainly extra labour and extra skill?

Mr. Martin.—Yes.

Dr. Matthai.—Can you tell us at current prices the difference per marc between 1,200 and 1,600 yards?

Mr. Martin.—The difference is about a shilling per 100 yards.

President.—Is your imported gold thread mainly used for being woven into sarees?

Mr. Martin.—I don't know what it is used for.

President.—Could your salesman tell us about that?

Mr. Kanga.—For making sarees.

President.—We have formed a sort of tentative view that the markets for the bulk of the Indian manufactured gold thread and the imported gold thread are rather different. In Madras, for example, where the bulk of the gold thread is imported from abroad, we were told that ladies in Madras wear *sarees* in which the gold thread is actually woven; it forms part of the *saree*. On the Bombay side we were told that the custom is for ladies to buy their silk *sarees* and to have detachable borders, so that one border can be used for different *sarees*.

Mr. Kanga.—That is the custom.

Mr. Martin.—That is the difference between a Hindu and Parsi.

President.—Obviously if you are going to buy a very costly *saree*, you are not going to put on it an inferior gold thread, because you want it to last for two or three years.

Mr. Martin.—Yes.

President.—Also as I was saying just now if coarse gold thread is woven on very fine silk, the silk would probably tear. I have seen some of the Benares silk *sarees* in which the threads are fairly heavy and after six months' wear, the silk gets worn out, so that for the purpose of weaving on costly *sarees*, the bulk of the thread used is imported; whereas for weaving up the borders the less fine Indian thread is used. Is there anything in that?

Mr. Martin.—I don't think I agree with you. Why should not Indian threads be used in making finer silk *sarees*? The majority of the thread used is of Indian manufacture.

President.—I thought you were telling us just now for very fine weaving if you were to use 600 or 800 yards gold thread, it would give a very unsatisfactory result.

Mr. Martin.—The Indian also makes a fine thread which is fit to be used on fine silk.

President.—He does. But at any rate in Bombay it doesn't exceed 600 yards.

Mr. Martin.—There is very little weaving done in Bombay. As far as our imports are concerned, I should think 80 per cent. go up-country.

President.—In Surat there is considerable amount of weaving?

Mr. Martin.—We send a good deal of our gold thread to Surat.

Dr. Matthai.—Is it possible to say that the one result of increasing the duty on gold thread has been to concentrate imports more and more on higher qualities? That is to say since 1922 or thereabouts a far bigger proportion of imported gold thread has been of a higher standard, say 1,600 yards and above. What I am really trying to suggest is this, that the class of gold thread with which Indian manufacturers in the main are finding it difficult to compete is the higher finer kind and therefore now that the duty has been raised, the market in India for imported thread is being reduced gradually to the finer classes. Is there anything in that suggestion? Is it possible to say that since 1922 the imports of gold thread into India have been confined more or less to the higher standards of gold thread?

Mr. Martin.—I should say the imports of higher standards of gold thread have considerably dropped. In fact it is almost negligible. The imports of imitation have gone up.

Dr. Matthai.—From a statement that we got from an importer in Pondicherry I got the impression that before 1922 there was a fairly wide variety of gold thread imported, but since then this wide variety has been reduced to a few standard qualities and most of them are of the higher standards.

Mr. Martin.—Yes.

Dr. Matthai.—If that is so, am I right in thinking that at present the competition that the Indian manufacturer has to face with the imported is really confined to the higher standards?

Mr. Martin.—I can only make a statement that as far as Bombay is concerned the imports of real gold thread have become almost negligible.

Mr. Henry.—That is also our experience.

Mr. Martin.—So much so that three firms have stopped importing altogether.

President.—Was there any time when you imported gold thread below 1,200 yards? My colleague was referring to that. If you could give any information when the import below 1,200 yards ceased, it would be interesting.

Mr. Martin.—Yes, I can look that up.

President.—Could you give us figures for those years before this 30 per cent. duty was imposed? I don't know whether your records will go so far back as that. Could you give figures for pre-war years?

Mr. Martin.—I don't think so. I think I can give you information only from 1925 at the most.

President.—What are the prices in the market now of the different classes of real gold thread?

Mr. Martin.—We have got various qualities. Our present price is 41 shillings c.i.f. Bombay.

Dr. Matthai.—That is per marc?

Mr. Martin.—Yes.

President.—It comes to roughly Rs. 40 per marc.

Mr. Martin.—Our present price is Rs. 38-12.

Dr. Matthai.—That is your selling price?

Mr. Martin.—Yes.

President.—That is importers' selling price?

Mr. Martin.—We import in sterling and the dealer pays us in sterling. He pays the duty, clears it and then he puts the profit on it.

President.—Then the dealer's price would be about Rs. 40?

Mr. Martin.—Yes.

President.—Do you know how gold thread is actually sold in the market to the weavers?

Mr. Martin.—I think it is sold per bundle.

Dr. Matthai.—What does a bundle mean? Is it a particular length?

Mr. Martin.—It is really $\frac{1}{4}$ lb. It is 16 skeins.

Dr. Matthai.—It is really a unit of weight?

Mr. Martin.—Yes.

Dr. Matthai.—The weaver actually buys in bundles?

Mr. Martin.—Yes.

Dr. Matthai.—In Madras a manufacturer who gave evidence before us said that the weaver was prepared to pay about As. 4 per 100 yards for Indian gold thread and about an anna more for imported thread. So we got the impression that probably the actual purchases by the weaver were made on the basis of lengths.

Mr. Martin.—It is possible he may do that. I understand that a good deal of the buying of gold thread depends on the cloth he is going to weave and if he is going to weave a ten yards *saree*, he will get only the required lengths to lessen the wastage as much as possible.

President.—Do you mean to say that the weaver doesn't mind what particular size of gold thread is bought?

Mr. Martin.—I don't know much about weaving. This is merely information picked up from the bazaar.

President.—He would be prepared to offer less for 1,600 yards than for 1,800 yards?

Mr. Martin.—The reason is this: if we import 1,800 yards bundle and it turns out to be below 1,800 yards, then the weavers complain. They say that they have been stopped in the middle of the *saree*. They do judge the length of cloth they are weaving by the length they buy, so that they get a continuous length without having to stop.

Dr. Matthai.—That takes place within certain degrees of fineness. Supposing a bundle of thread is put on the market and you declare it is about 1,600 yards to 1,800 yards per ounce, then he would buy that stuff on the basis of length, but supposing your thread was 1,200 yards and another thread that was offered to him was 1,600 yards, then the basis would be not merely the length, but also the quality?

Mr. Martin.—Yes.

Dr. Matthai.—That is to say it is simply a way in which the weaver makes sure that when you offer thread of 1,600 to 1,800 yards, he actually gets what you offer him.

Mr. Martin.—Yes.

Dr. Matthai.—This price that you gave us, what particular quality is it?

Mr. Martin.—1,800 yards real silk.

President.—For each 100 yards below that the difference would be a shilling?

Mr. Martin.—Yes.

Dr. Matthai.—Do you know the standard 990/000? We were told by an importer in Madras that the chief quality which he imported was 990/000. Does it denote a certain percentage of silver?

Mr. Martin.—Yes.

Dr. Matthai.—What percentage of silver does that represent?

Mr. Martin.—99 per cent. of silver and 1 per cent. of gold.

Dr. Matthai.—The measurement is not done in that way.

Mr. Martin.—It doesn't refer to measurement at all.

Dr. Matthai.—It means this that if you take simply the precious metal content, then 99 per cent. is silver and one per cent. is gold.

Mr. Martin.—Or there is 99 per cent. precious metal.

Dr. Matthai.—If you take it per ounce of thread, it would mean about 75 per cent. is silver. If you take the silk, gold and silver into account, then the amount of silver in relation to the total weight of thread would be somewhere about 75 per cent. Would that be right?

Mr. Martin.—I am afraid I cannot say.

Dr. Matthai.—If that is the standard in which you commonly deal you might be able to tell us approximately, taking an ounce of that standard gold thread, what part of it is silver, what part of it is gold and how much of it is silk. Ordinarily if you take 1,600 yards to an ounce, about 75 to 80 per cent. is silver, about $1\frac{1}{2}$ per cent. is gold and the rest is yarn.

Mr. Martin.—I don't think that the silver content is ever taken into consideration.

Mr. Henry.—We have these qualities 990 to 1,000 both on silk and on cotton.

Dr. Matthai.—I will tell you how this question arises in this enquiry. We have to try and find the cost of the fair selling price of Indian gold thread, and then in order to determine the question of protection, we compare that with the price of really comparable imported gold thread. Now in various cases of gold thread manufactured in Bombay of which we have received costs the percentage of silver per ounce of thread is given as 47 to 50 per cent. and about 2 to 3 per cent. as gold. Obviously it would be absurd for us to take a thread of that kind and compare it with some im-

ported gold thread in which the percentage of silver is 80 or 90 per cent. because the two things are really not comparable, so that if one of the common standards in which you deal is this 990/1000 and if I am not able to tell what precisely is the percentage of the precious metal in it, it will be quite impossible for me to compare it with the Indian thread.

Mr. Martin.—I can get you that information only by writing to France.

Dr. Matthai.—We asked Mr. Campbell of Messrs. Peirce Leslie and Company when he appeared before us in Madras and he gave us some prices. He told us that the percentage of silver in that particular class of imported gold thread was 75 to 80 per cent.

Mr. Martin.—Including the silk?

Dr. Matthai.—Yes, of the whole weight.

Mr. Martin.—I am afraid I cannot say.

Mr. Henry.—I am sorry we have not kept any record.

Mr. Martin.—The only thing we could do is to have a skein assayed and find out the percentage of the precious metal as against the yarn.

Dr. Matthai.—Could that be done fairly easily?

Mr. Martin.—Yes, it can be done by the Customs.

President.—Could you let us have any idea as to the amount of gold thread used in any sort of standard article? I do not know if there is such a thing as a standard *saree* or *pugree* which people usually buy. I am trying to get at the relative value of the gold in it as compared with the silk.

Mr. Martin.—I am afraid you can only get that from the weaver.

President.—Of course it varies with different things.

Mr. Martin.—It is liable to variations.

Dr. Matthai.—I suppose in the general market the difference between various standards is determined with reference to the length per weight and the depth of gilding?

Mr. Martin.—Yes. Gilding is a very important point in price because it is pure gold. The length per ounce also is another factor in the matter of price, though not quite so important as gilding.

President.—You cannot tell us the percentage of gold in your thread?

Mr. Martin.—I can tell you only roughly. It is about 2 per cent. in real gold thread. I think I am right in saying that 98 per cent. is silver and 2 per cent. gold.

President.—I think in electro-plating usually gold does not exceed 1½ per cent.

Mr. Martin.—I think I am right in saying that in some of the better classes the percentage of gold comes to 2 per cent.

Dr. Matthai.—There is a particular class called extra deep?

Mr. Henry.—Yes.

Dr. Matthai.—You determine that by looking at it?

Mr. Henry.—Yes.

Mr. Martin.—I don't think it follows that because it is extra deep there is more gold in it.

Dr. Matthai.—I could imagine for example that the effect of 3 per cent. hot-plated gold thread, so far as appearance is concerned, may be less than 2 per cent. in electro-plated thread.

Mr. Martin.—Yes.

President.—I take it that the colour of the silk into which it is woven has some effect on it?

Mr. Martin.—Yes, we have different kinds to suit different colours (samples shown).

President.—Some of the gold threads are only 300 yards?

Mr. Martin.—Yes.

President.—They are not imported.

Mr. Martin.—No, they have a market for those coarse kinds in Great Britain for military uniforms and altar cloths. The coarsest we have imported is 400 yards.

President.—So they don't specialise on 1,200, 1,600 or 1,800 yards?

Mr. Martin.—No.

President.—Have you not got any sample of 1,600 yards?

Mr. Martin.—No.

Dr. Matthai.—The highest here is only 1,200.

Mr. Martin.—Yes.

President.—There is something in the contention that the coarser the thread the less suitable it is for weaving in delicate silken fabrics.

Mr. Martin.—Yes.

President.—We have not seen in Bombay thread over 1,000 yards. What is your general opinion? With 30 per cent. duty the import trade can just exist, whereas with 38 per cent. it is killed?

Mr. Martin.—Absolutely. Our import trade is now negligible; in fact, it does not exist. The position is rendered much worse by the present political situation, and it is difficult to estimate how much of the fall is due to this. I do not know whether there will be more demand next year or not. Even with only 30 per cent. duty last year we imported practically nothing.

President.—That was with 30 per cent.?

Mr. Martin.—Yes.

President.—Previously you had been able to carry on?

Mr. Martin.—We never did as much business as we did in the old days.

Dr. Matthai.—Taking India as a whole at present it seems to me that the bulk of the imported thread finds a market in the south. If you took about Rs. 30 lakhs as the value of imported gold thread, I should think much more than half of it is sold in Southern India.

Mr. Martin.—Yes. Benares, Surat, Salem and Bangalore are the principal markets.

President.—Of course, the Indian gold thread, of which very little is manufactured in Madras, would be at some slight disadvantage as compared with the imported thread.

Mr. Martin.—Yes.

President.—The importer in Madras would, so far as the local market is concerned, be in a better position than the importer in Northern India.

Mr. Martin.—I don't think there is very much in it. The only difference would be in the freight between Bombay and the places we send to and Madras and the places they send to. As far as Madras is concerned I think they deal in a different class. Down in Madras they manufacture a different type of cloth.

Dr. Matthai.—In what way?

Mr. Martin.—Lengths differ. I was always told that the quality sold in Bombay was not suitable for Madras.

Dr. Matthai.—We have certainly gathered the impression in Madras that the increase in the duty to 30 per cent. has not affected perceptibly the market for imported thread except to the extent that it has encouraged smuggling, that is to say they have not lost it to the Indian thread but they have lost it to the smuggled thread. Apparently your position here seems to be different?

Mr. Martin.—Yes. It is extremely difficult for us to get any information about the Indian made thread. I was told in the bazar that of the total thread used 80 per cent. would be Indian and 20 per cent. imported. I do not know whether that is correct or not. It is extremely difficult for us to get any correct information.

Dr. Matthai.—There is no information.

President.—We have been told that the difficulties under which the Indian thread manufacturers suffer are mainly the result of want of standardisation in the outturn and the cut-throat competition resulting in the establishment of this industry as a cottage industry. That is the impression I have got.

Mr. Martin.—The main trouble of the Indian manufacturers is amongst themselves.

President.—The price of Indian thread excluding for the moment hot-plated thread which commands a luxury price is very much below that of the imported thread. The comparable gold thread of Surat fetches in Madras about Rs. 25 as against Rs. 40 for the imported thread. That also supports the supposition that the market for the imported thread is to some extent distinct.

Mr. Martin.—Undoubtedly.

President.—People who want the very best will either go in for the hot-plated or imported gold thread. Others who are content with an inferior article will go in for the Indian thread. I do not know what your experience is.

Mr. Henry.—I think your information is correct.

President.—If you had a duty of 30 per cent. the importing firms would be doing satisfactorily. But you suggest a duty of 25 per cent. From what Messrs. Peirce Leslie and Company told us we gathered that they had no serious complaint to make if the duty was at 30 per cent.

Mr. Martin.—I don't think we have any objection except that the business has of late decreased very much even with the duty at 30 per cent.

President.—Looking at it for a moment from the revenue and fiscal point of view, the duty on luxury trade is normally 30 per cent. and therefore there are really no very strong grounds for reducing the duty below that level.

Mr. Martin.—No.

Dr. Matthai.—If there is a general recognition in the market that the imported gold thread is generally superior in appearance and lasting qualities, that must to some extent ensure a certain steady market for it in spite of the rise in the price owing to the rise in the duty.

Mr. Martin.—But I think there is a limit to luxury paying.

President.—Where did you say gold thread is drawn to 2,500 yards?

Mr. Martin.—Somewhere in India, I believe in Surat. That information I got from the bazaar. Here is a sample bundle of 1,250 yards made in India which is comparable to the foreign article. (Sample handed in.)

President.—As regards the lasting quality, is it about the same?

Mr. Martin.—I don't think it is. I think the imported thread will last longer. The reason why Indian thread is not so popular is because the gilding is not so fine and in about a year's time you will find patches of silver showing through. In the imported stuff the gilding is even all throughout. There is a difference in twisting also which is a very important point with the weaver.

President.—Hot-plated gold thread is very fine, is it not?

Mr. Martin.—Yes. That is a class in itself.

Dr. Matthai.—Could you give us a statement of current prices in Bombay for imported gold thread and Indian threads of the same qualities?

Mr. Martin.—I can obtain the information for you. I will try and get exactly similar samples if I possibly can. The difficulty is that most of the dealers in Bombay are concerned in selling imported gold thread. The Benares and Surat people are interested in Indian made thread.

Dr. Matthai.—Has the c.i.f. price been going down correspondingly with the price of silver?

Mr. Martin.—Yes, since 1925.

Dr. Matthai.—I suppose that the decline in the price of silver must have a corresponding effect on the price of gold thread?

Mr. Martin.—Yes.



नमो भगवते वासुदेवाय

Indian Merchants' Chamber, Bombay.

A.—WRITTEN.

Letter No. 3095, dated 26th August, 1930.

Subject: GOLD AND SILVER THREAD INDUSTRY ENQUIRY.

I am directed by my Committee to send to you herewith five copies of their written statement regarding the above subject.

Enclosure.

Written Statement of the Committee of the Indian Merchants' Chamber submitted to the Tariff Board regarding Gold and Silver Thread Industry Enquiry.

With reference to the Notification No. 180-T. (12) of the Government of India, Department of Commerce, dated the 15th May, 1930, referring to the Tariff Board for enquiry and report into the Gold and Silver Thread Industry, the Committee welcome the same, and are of opinion that the Industry almost fulfils the conditions laid down in para. 97 of the Fiscal Commission Report.

The Industry is at present confined to two centres in India, viz., Surat and Benares. It may fairly be said to be a Home Industry. To the knowledge of the Committee there is not a single factory where the gold and silver threads are manufactured from start to finish; nor any individual party has enough capital in the trade, nor is up-to-date machinery used in the Industry. The Industry is confined to those who are not conversant with the advanced notions of organised industries. Hence, it is not possible to present the case of this Industry with that completeness and satisfaction of figures possible in case of other organised industries. Enquiries made by the Committee show that the Industry, which was once doing well, was being practically laid to the ground on account of foreign competition, but was resuscitated by the increase of the import duty on gold and silver threads to 90 per cent. in the year 1922, there being at that time no duty on silver. This increased duty on imported articles was a spurt to the Industry, and under that spurt the Industry benefited, but when the duty on silver was imposed recently this benefit has been, to a great extent, reduced. Due to the 90 per cent. duty on imported articles and no duty on silver, the Industry made its progress and got its foothold.

The total consumption of gold and silver thread (barring imitation and half-fine goods which the country does not produce at all and which amount to Rs. 15 lakhs) amounts to Rs. 1,25,00,000 out of which India is believed to produce Rs. 1,00,00,000 worth, thus the foreign imports being Rs. 25 lakhs worth, mostly French and partly German, as no British goods are being imported. The Committee are aware that with the imposition of duty on silver the duty on imported gold and silver thread was increased from 90 to 98 per cent., and with a view that the Industry should have that encouragement which it previously enjoyed, the Committee are of opinion that the present duty on imported articles of 98 per cent. be increased to 50 per cent. My Committee, having in view that the Industry should continue to have that encouragement which it had when there was no duty on silver and under which it progressed, are of opinion that if 50 per cent. duty is imposed on imported gold and silver thread instead of 98 per cent. as at present, this object will be achieved and the Industry will have that much encouragement and impetus as will make it stand on its legs. If this is done the Committee believe that the Industry will attract more capital; better and well-organised industrialists will enter and Indian labour will be benefited.

Considering the fact that the Industry has to pay duty on imported materials like chemicals, and is suffering from the effects of the adverse ratio of 1s. 6d., which is benefiting the foreign imports to the extent of 12½ per cent., the Committee are of opinion that if the Industry is not to recede from the position it has attained, it is necessary to increase the import duty of 38 per cent. to 50 per cent.

In this connection, the Committee agree with the Collector of Customs, Bombay, that a uniform duty should be levied on real, imitation and half-fine gold and silver threads.

The Committee are answering the queries of the Board in a general way, and as regards particulars will refer the Board to the evidence, which they understand, the Industry at Surat intends giving. The Committee have before them a copy of the representation of the Industry, and with this they generally agree. The Committee have no technical knowledge of the Industry, and hence do not desire to give evidence on the details of the case which may well be left to the Industry itself. They have, however, nominated Mr. Behram N. Karanjia, Vice-President of this Chamber, to support in general, the case of the Industry for encouragement, and, if called, he will be pleased to appear before the Tariff Board to supplement this representation of the Committee.

In conclusion, the Committee desire to express their opinion that the best interests of the country and the Industry require that encouragement and impetus be extended to the indigenous Industry, and are further of opinion that as the Industry is in poor hands—poor as regards capital, education and organisation, and hence not sufficiently enterprising that a Central Institute be started at Surat where demonstrations, which can benefit the Industry, be given and those who are engaged in it are trained. If this is not feasible because of cost or any other reason, the Committee are of opinion that under competent experts either night or morning classes be started by Government at their schools at Surat and Benares and sufficient inducement be held out by way of scholarships to those workmen who are engaged in the Industry to take benefit of the training facilities thus offered. The Committee think that carrying out the above objects will not entail a large sum, but considering that it is likely to benefit many persons engaged in the Industry, this expense is worth incurring especially when it is a question of the country, as a whole, benefiting by such an Industry which has potentialities, being preserved in the country and for the benefit of the country.

THE INDIAN MERCHANTS' CHAMBER.

B.—ORAL.

Evidence of Messrs. BEHRAM N. KARANGIA, L. R. TAIRSEE and Mr. A. C. RAMALINGAM, recorded at Bombay on Thursday, the 4th September, 1930.

President.—Mr. Karanjia, you are the Vice-President of the Indian Chamber of Commerce?

Mr. Karanjia.—Yes.

President.—And you are speaking on behalf of the Indian Merchants' Chamber?

Mr. Karanjia.—Yes.

President.—We understand that it is not the intention of the Chamber to support the representation in this case by detailed figures in connection with the industry.

Mr. Karanjia.—We cannot furnish such figures, but we have given in a general way that the total consumption amounts to Rs. 1,25,00,000 out of which India is able to produce rupees one crore worth, thus the foreign imports being Rs. 25,00,000 worth.

President.—On what do you base the figures for the imports?

Mr. Karanjia.—Those are from the statistics.

President.—You mean from the Trade Returns?

Mr. Karanjia.—Yes.

President.—We really wanted to ascertain from you whether the position which has been assumed by the Indian Chamber is generally in accordance with the facts as they appear provisionally to us. In some respects it seems to differ.

Mr. Karanjia.—Where?

President.—I understand the position of the Chamber is this: they recommend 50 per cent. duty and their object in recommending that is to place the industry in the same position as it was previously when there was 30 per cent. duty.

Mr. Karanjia.—That is quite correct.

President.—We are at any rate inclined to view the position from a slightly different point of view. There may be really nothing inconsistent between your point of view and our point of view and so we wish to see whether you would agree generally with the position as I am now going to put it forward. First of all we have examined the Trade Returns. The Trade Returns include under the same item not only gold thread, but also imitation and half fine imitation and also fabrics.

Mr. Karanjia.—Yes.

President.—And in order to elucidate the position we asked the Collector of Customs to inform us how much of the 12 lakhs in Bombay was real gold thread, how much imitation and half fine and his reply was that out of 12 lakhs 1 or 2 per cent. is real gold thread. Some members of the trade who appeared before us in connection with the Chamber of Commerce representation and who are interested in the import of real gold thread also informed us that they had practically ceased to import real gold thread. On the other hand the Director of Industries' information is that more than the amount given by the Collector of Customs is imported. His figure was about three lakhs in the year.

Mr. Karanjia.—In Bombay?

President.—Yes. So far as we can see the position throughout the rest of India is that there is practically none imported into Calcutta, and very little into Karachi.

Mr. Karanjia.—What about Madras?

President.—I am coming to that. There is a considerable amount of import in Madras. The position in India as we see it at present is that in the whole of North and West of India there are practically no imports of foreign gold thread and practically throughout the whole of that area Indian gold thread is used, whereas in Madras contrary to the rest of India, a good deal is imported. We haven't got the exact figures from the Collector of Customs. We believe that about 12 lakhs of real gold thread is imported and about 9 lakhs smuggled.

Mr. Karanjia.—We cannot ascertain the smuggled figure.

President.—We ascertained the figures fairly carefully, because we were able through the Customs Department to obtain figures regarding the imports into Pondicherry and as practically no gold thread was used in Pondicherry nearly the whole of that must be smuggled into British India. That makes about 21 lakhs as far as Madras is concerned. We naturally enquired why this large import continued into Madras and so far as we can ascertain the position is that in certain parts of Madras they manufacture very costly saris and in weaving these costly fabrics they use imported thread. We were told in Surat that the Indian gold wire in the flattening process is elongated to such an extent that it becomes very thin and it doesn't wear well. So far as we are able to ascertain, the position is that the Indian industry is in competition with the imported fine thread only in certain parts of India and in connection with costly fabrics. All the coarser gold thread trade is in the hands of Indian manufacturers and on the other hand the poorest quality of real gold thread in India competes to some extent with half fine. The problem, as it presents itself to us, is, assuming that the industry qualifies for protection, to fix such a duty as will enable the Indian industry on the one hand to capture the Madras market and on the other hand to some extent at any rate capture the market which is at present held by half fine imitation. That position I understand might possibly not be met by merely reintroducing the *status quo* which existed when the 30 per cent. duty was in force. Is there anything inconsistent between that attitude and the attitude which has been put forward by the Indian Chamber of Commerce?

Mr. Karanjia.—When the 30 per cent. duty was levied there was no duty on silver and the difficulty arises out of the duty on silver. We have to pay duty not only on chemicals, but also on imported machinery.

President.—There is no duty on machinery now.

Mr. Karanjia.—That is so. But then there is difficulty as regards ratio.

President.—Taking all that into account I understand your position is that you would like to have such a duty imposed as would practically amount to placing the trade in the same position as it was when the 30 per cent. duty was imposed and when there was no duty on silver.

Mr. Karanjia.—That is the position.

President.—Our position is that we would not confine ourselves to this. If the higher duty is necessary to enable the industry to capture the Madras market and a portion of the half fine imitation, we do not feel ourselves necessarily precluded from proposing an even higher duty. What I wanted to know is whether that position is generally in accordance with the position assumed by the Indian Merchants' Chamber.

Mr. Karanjia.—I can tell you the whole history of the gold thread industry. We were also importing real gold thread, half fine and imitation gold thread also. Till the year when the duty was 15 per cent. we used to carry on our trade. Till then Surat didn't manufacture nor Benares nor Madura.

Dr. Matthai.—How long ago was that?

Mr. Karanjia.—Before 1922. Till 1922, we carried on our business. Then when the duty was raised to 30 per cent. they were encouraged to manufacture

this gold thread, because they used to manufacture gold thread in olden days. It is not a new industry. This industry was from time immemorial in Surat and other places, but not of this fine quality they are manufacturing now. When the duty was raised to 30 per cent. that hampered the importation to a certain extent and encouraged smuggling. When I was in Madras some Madras people came to me and said "we will smuggle for you as you are dealing in gold thread. There is no duty on gold thread in Pondicherry. We will smuggle the gold thread and give you". I said I can't do that and at the same time the smuggling was also carried on from Kathiawar Ports to a certain extent. All these prevented me from carrying on the import trade, but at the same time I was glad that the raising of the duty to 30 per cent. enabled the Surat and Benares people to carry on manufacture and they carried on well till no duty on silver was levied. Now when the duty on silver was levied they were hard hit, because 8 per cent. which was considered sufficient didn't really give them the protection they enjoyed before.

President.—They have withdrawn from that position. We were in Surat two days ago. They accepted the position after seeing the figures that 8 per cent. would fully cover the duty on silver.

Mr. Karanjia.—They are handicapped as regards exchange and as regards other duties on chemicals. Mr. Chairman, this industry in Surat does require encouragement and of course I don't think that it would in any way hamper Government as regards its revenue.

Dr. Matthai.—You agree with the position as stated by the President that if, without going into such questions as what is the precise compensation required for silver duty and what is the precise compensation for exchange, we recommended a duty which on the figures would be sufficient to enable the Indian industry to capture the market which is now held by the imported real gold thread in Madras and which would enable them also to face the competition against half fine and imitation, that from your point of view would be a satisfactory proposal.

Mr. Karanjia.—It may be a satisfactory proposal, but I would say if they make a certain margin over it, a margin, which would enable the manufacturer after meeting the import competition to secure a fair percentage of return on capital as would encourage him to put in increased efforts at developing the industry. There is a great field in India for the gold thread industry. The total consumption in India will be increased even to 3 or 4 crores or 5 crores. I may point out that now-a-days laces and other things imported from France, Germany and other places are embroidered with the real gold thread and even then the Customs charge 15 per cent. duty.

Dr. Matthai.—Let us put it this way. We were in Surat last week and we have got detailed statements of costs from the manufacturers of these superior qualities of thread which come in competition with the French real gold thread. We take those costs, allow them a fair profit and arrive at what we consider a fair selling price for them and then we take the price at which the exchange standing at 1s. 6d., the French thread is landed in India. We take the difference between these two and then we make an addition to that to cover the prejudice which often exists in the market against the Indian thread, make a certain allowance to cover the prejudice and the uncertainties of the market, add that to the difference between the fair selling price and the imported price. That would be a fair way of fixing the duty.

Mr. Karanjia.—What will be that duty?

Dr. Matthai.—We are considering the figures. We are now discussing the method of doing it.

Mr. Tairsee.—We want to be absolutely frank about it. We were faced with the difficulty of paragraph 97 of the Fiscal Commission's Report. That is why all throughout we have not used the word protection, because if we are asked whether all the materials are here, we will be faced with a certain position.

Dr. Matthai.—What is the position?

Mr. Tairsee.—The position will be that most of the materials are imported materials.

Dr. Matthai.—You mean silver is imported.

Mr. Tairsee.—Yes, silk is imported; the chemicals are imported and the machinery is imported. As pointed out by me last time when I was here if the Tariff Board makes paragraph 97 of the Fiscal Commission's Report as a bible by which they are going to be guided, we would be faced with that position.

Dr. Matthai.—I may explain that point straightway.

Mr. Tairsee.—That is why we have put it this way.

Dr. Matthai.—As far as the gold thread industry is concerned, it is quite true that the principal materials such as silver and gold are in the main imported. But these are articles which enter so much into world trade that the prices in different countries are fixed on a basis of world parity. Therefore supposing we produce our own silver here instead of importing it, the price of silver would still be determined by the price of silver imported from other countries. They would be on a parity with world prices. Therefore we are not going to get any economies by the fact that silver is produced here instead of being imported. Therefore the condition of the Fiscal Commission is not a condition that applies literally to this particular case.

Mr. Tairsee.—We are very glad to know from you that you are not going to be absolutely bound down by paragraph 97 of the Fiscal Commission's Report. As we were afraid that you would take a different view, we presented the case in this way. Our object is merely to impress upon you that if for some reason or other you come to a decision that protection should not be given, then the impetus that we got before the new silver duty came into vogue should not be taken away. In our opinion the 30 per cent. did help the industry substantially, because the industry was not there before. The industry was not there till the 30 per cent. was there. The industry therefore got a certain amount of impetus or momentum under the revenue duty. That momentum would have slackened, but for the additional 8 per cent. duty which served as compensation for the silver duty. Our impression is the momentum which otherwise would have been much less has not been so much less because of this 8 per cent. What the Chamber has in mind is this: that the encouragement which the trade had should in no case be withdrawn. The second position that we want to take up is that whilst the Chamber is not convinced that they can come before you and justify a duty of 200 per cent. or 150 per cent., they can at least justify the present position, that is to say that the industry should be allowed to continue to enjoy the protection it had under the revenue duty. You will also notice that the Chamber has avoided for that simple reason the use of the word 'protection' all throughout in their memorandum.

President.—We have noticed that.

Mr. Tairsee.—Because the Chamber is aware that you will cross-examine the representatives and ask "will it come under paragraph 97". That is why the Chamber has put the case in this way. We are very glad to hear the views expressed by Dr. Matthai. Your intention is I take it that you will stand by the industry and you will make such recommendations that the industry will not only be allowed to recede, but will be able to get along.

President.—To advance still further, and capture the southern market.

Mr. Tairsee.—Yes. The Chamber and yourself are at one with each other and we have nothing more to say. We have been saved all the trouble of cross-examination.

Dr. Matthai.—Incidentally I don't want you to do any injustice to the Fiscal Commission, because the particular interpretation that I suggested is an interpretation which could reasonably be put on the Fiscal Commission's conditions as they are stated in their Report.

Mr. Tairsee.—You remember when I appeared before you last time, Sir Padamji Ginwala said that you were bound by the conditions laid down by the Fiscal Commission and then I had to tell him "why do you take paragraph

97 as the last word". I am very glad to see that the position of silver being what you have rightly gauged and the position of the industry being what you have rightly estimated at, our task of putting the case before you is very much lightened, because I say that you are sympathetic to the extent of seeing that not only the industry maintains its own ground, but that it has given a push up and we of the Chamber cannot ask for anything more than that.

Dr. Matthai.—You say that the industry enjoyed the benefit of a revenue duty before of 30 per cent., but now the amount of assistance involved in the revenue duty has been whittled down as a result of the silver duty. Without committing yourself to saying that the industry deserves protection under the conditions laid down by the Fiscal Commission, what you have suggested in your memorandum is that the amount of assistance—call it protection or something else—which they were enjoying under the 30 per cent. revenue duty must be continued to them in spite of the duty on silver?

Mr. Tairsee.—Yes.

Dr. Matthai.—Paragraph 97 is like a Statute which gets gradually modified by case law.

Mr. Tairsee.—I am very pleased to hear that. Last time when I appeared before you, Sir Padanji P. Ginwala was here and when we were faced with this, I had to put that point. I am very glad to hear from you that you don't want to go strictly by paragraph 97 when it is a question of helping the industry. The Indian Merchants Chamber is very glad to see that you are taking that point of view. If I can extend by congratulations on behalf of the Chamber, I do so here and now.

Mr. Karanjia.—As regards matches, when the duty was raised to 150 per cent. it gave such an encouragement that everywhere the industry began to flourish. In the same way if you give protection or some encouragement to the industry it is bound to flourish. The sales will be much larger than at present. We also want to point out in this connection the frequent trouble the merchants have with the Customs Department. Supposing I present a sample to-day to the Customs, it is sent to the Analysing Department and is declared to be under 1·5 per cent. silver. When you send the same sample to the same analyser next day, you are told that the silver content is more than 1·5 per cent. The difficulty is that if it is under 1·5 per cent. the duty is calculated at 15 per cent., whereas if it is more than 1·5 per cent. the duty is calculated at 30 per cent.

Dr. Matthai.—What is your suggestion?

Mr. Karanjia.—Our suggestion is that a uniform duty should be levied on all.

President.—We have discussed that question with the Collector of Customs and with the Bombay Chamber of Commerce.

Mr. Tairsee.—The Collector himself has felt this difficulty and has expressed it so often.

Mr. Karanjia.—My point is that more protection should be given to this industry (showed a sample).

Dr. Matthai.—This is what would be called half fine imitation.

Mr. Karanjia.—This is absolutely pure and simple adulteration—I would say not even imitation but inferior to imitation. It is only paper.

Dr. Matthai.—There is no base metal in this.

Mr. Karanjia.—No.

Mr. Tairsee.—We can send you more of this if you want.

President.—It has got some silver.

Mr. Karanjia.—Very, very little.

President.—We asked the Collector of Customs whether he could devise a formula and this is what he advised us :—

" Gold thread and wire, silver thread and wire (including so-called gold thread and wire mainly made of silver), imitation gold or silver

thread and wire and lametta, irrespective of the quantity of precious metal contained therein and similar metallic filaments used for the ornamentation of woven fabrics".

Mr. Tairsee.—It will cover everything.

President.—That is to say, this definition would cover real gold thread, half fine imitation, imitation and lametta.

Mr. Karanjia.—This will also eliminate the trouble which the Customs Collector and the merchants are now put to. Indirectly it will also help the indigenous industry.

President.—The other main point which we wanted to ask you was this. Let us take your proposal that a 50 per cent. duty should be levied. What about the consumer? We have obtained some figures through Messrs. Peirce Leslie and Company, Madras. They have disclaimed any responsibility for these figures. They asked their dealers to obtain for us the prices of the more common fabrics which contain imported gold thread. They have given us a list of prices. The most expensive is 9 yards sari which costs about Rs. 116 and contains one mark of imported gold thread valued at Rs. 88. If we were to increase the duty from 38 per cent. to 50 per cent. that would result in increasing the final price of the sari from Rs. 116 to 119.

Mr. Karanjia.—Only about 3 per cent.

President.—I have worked out the figures and I don't think it exceeds 3 per cent.

Mr. Karanjia.—We have also got samples of all that.

President.—It seems to me that so far as real gold thread is concerned the increase in the duty would not result in any increased burden on the consumer. These people who wear saris worth Rs. 116 would not mind paying three rupees more.

Mr. Karanjia.—They would not mind paying this extra three rupees because these saris are used by the rich people. If you give protection to this industry, about 50,000 people will be utilised for this purpose and they will only get 5 to 6 annas a day, which, as you know, is hardly enough for them to have only one meal a day. Therefore if the rich people are penalised to the extent of 3 per cent. it does not matter.

President.—I take it that the opinion of the Indian Chamber of Commerce is that there will be no real burden on the consumer.

Mr. Karanjia.—That is our opinion. On the other hand, the industry will flourish and will be of benefit to India as a whole.

President.—The other kinds are half fine imitation and imitation, and I have seen two considerations urged in regard to them. The first case is that if you were to put on a duty of 50 per cent. it is probable that the cheaper kinds of Indian gold thread would be able to compete with them. In that case the burden on the consumer might not be so great as it would seem because when the garment is worn out, if it contains real gold thread, it has a second hand value as regards the metal content. Now, as regards the imitation gold thread, it is so cheap—I think it is 3 shillings a lb.—that whenever duty may be imposed, it won't affect the poor people. It may be concluded then that there would not be any very great burden felt as a result of the increased duty either on real gold thread or on imitation. Is that the view of your Chamber?

Mr. Tairsee.—Yes.

Mr. Karanjia.—As regards the real gold thread, just as pointed out, they realise about 5 per cent. of the cost of the sari for the embroidery on saris if they sell the old stuff.

Dr. Matthai.—It is about 5 per cent.

Mr. Karanjia.—Yes.

Dr. Matthai.—That is to say the precious metal content will realise that much.

Mr. Karanjia.—Yes. What is lost here will be gained there.

Dr. Matthai.—Which they cannot do from half fine?

Mr. Karanjia.—No.

Mr. Tairsee.—Even after 20 years when they discard the old garment, they will get about 5 per cent.

Dr. Matthai.—Are you familiar with Benares? We went to Surat last week and we were able to get some idea of the kind of equipment and the kind of products manufactured by the Surat Industry. Have you any knowledge of Benares? I understand that Benares is a very considerable centre? How does Benares compare with Surat?

Mr. Karanjia.—In what respects?

Dr. Matthai.—As regards the methods of manufacture and so on?

Mr. Karanjia.—Benares is a bit more advanced.

Dr. Matthai.—In what respect?

Mr. Karanjia.—In various respects. As regards skilled labour, Benares is a bit above Surat. Benares has got a hold on the market in Madras, in the Punjab and also other places. Of course, the movement in Guzerat has also affected the Surat manufacturers, though I do not know how far.

Dr. Matthai.—You are personally familiar with the conditions of the gold thread market.

Mr. Karanjia.—Not at present, but I was once.

Dr. Matthai.—Supposing you were going to buy Indian thread, say, about 1,800 yards to an ounce and you had two kinds of gold thread before you—one manufactured at Surat and the other at Benares, which would you buy? What is the general opinion in the market? Which is better?

Mr. Karanjia.—Benares is better. In the inferior fabrics we generally use the thread manufactured in Surat. In Bombay we use Bombay and Surat thread because Benares is too far away and further Surat merchants come to us and show us samples of embroidered articles. So we are always tempted to buy from Surat which is nearer.

President.—The market is localised to a certain extent.

Mr. Karanjia.—Yes.

Mr. Tairsee.—There is this point. Whenever we think of buying a sari, we always talk of a Benares sari whether it is made in Benares or not because the name Benares has been associated in people's minds with it. Further anything made at Benares is likely to get a better price because of the long association.

Mr. Karanjia.—In Benares they generally use imported thread, and it is a very fine quality.

President.—Do you mean imported silk thread?

Mr. Karanjia.—Yes.

President.—In Benares do they use as much machinery as they do in Surat or is it more hand drawn?

Mr. Karanjia.—I do not know. I have not seen the Benares factories. I have only seen the actual products.

President.—We have been told that in Benares the workmen use very much less machinery than they do in Surat and that they draw wire more by hand.

Mr. Karanjia.—In Lyons, supposing they want 500 or 990 whatever the percentage may be, they will put the exact quantity of silver while in India they are indifferent about this guaranteed silver.

Dr. Matthai.—That is of course a very important point. But unless you have some kind of standardisation, it is not possible.

Mr. Karanjia.—Therefore we have suggested in our memorandum that a central institute should be started to help the industry. This is an industry worth encouraging.

President.—We were discussing the same question with the Director of Industries.

Mr. Tairree.—What the Chamber had in mind was this. Supposing we are faced with the question that the duty on this article is not such that you can incur the expense of running a central institute where demonstrations can be given. If this is not possible, we have suggested that morning or evening classes be started for the workmen and the inducement should be scholarships and one teacher would not cost much money, because there would be only two centres, *viz.*, Surat and Benares. Supposing one or two teachers were taken, the same Government schools could be used, the same benches, light, etc., would be there and it is from that conservative point of view that the second suggestion has been made.

Dr. Matthai.—Supposing you have a real first class industrial school in Surat the best that that school can do—and that of course is very important—is to introduce technical improvements to improve their methods of manufacture and so on. It is not merely the lack of technical improvement that the industry is suffering from now but almost equally the lack of marketing arrangements. Here is this distant market of Madras. The Surat people who are mainly small people engaged in the industry have got to be put into touch with that market.

Mr. Tairree.—Quite so.

Dr. Matthai.—There is a certain amount of propaganda which has to be done on their behalf and on top of that it is necessary that if these people are to get the full benefit of the protective duty, they must not engage in cut throat competition; otherwise they do not get the benefit.

Mr. Tairree.—If Indians are bent upon engaging themselves in cut throat competition, how are you going to prevent it. The competition in India is like this. It is not in obtaining a better market; nor is it in engaging in activities to make one's brand known. Supposing a brand is established, it will not run for many years. The competition in this country means what measures are to be adopted in order to make the other man run away. As long as these ideas are there, the brand has no value. Have you come across a brand in India which has run for a number of years and which has got some standard behind it? Our difficulty is this. Take the case of the mill industry. Do I know of any brand and can I say "I shall buy brand No. 110" and then be sure that I shall get the same quality that I got in 1920? There are no guaranteed trade marks. In the first place there are not very many marks and for those that are there, there is no guarantee that the quality will be the same. At present the whole competition consists in selling cheaper with the result that the quality deteriorates. In the case of gold thread one does not want to go to the expense of sending a man to, say, Madras. Suppose a man is sent to Madras: he has to spend Rs. 20 to go there and another Rs. 20 to come and something more in addition. The manufacturer says "Why should I spend this 50 rupees? I shall make my cost cheaper by 2 per cent. and sell it cheaper". These people have not got the foresight nor is there a well-known brand which will sell because of its quality.

Dr. Matthai.—We have no hold over other industries, but don't you think that at least in regard to protected industries where the community is asked to bear a certain amount of sacrifice, the industry ought to make a definite beginning with the right kind of industrial education?

Mr. Tairree.—I agree with you. This is what the mill industry has begun doing. They have in the beginning to have their show rooms which they never thought of ten years back. They are now even advertising in the local papers. Ten years back you never found an advertisement of Indian made cloth: to-day they are doing it, and the industry will progress in course of time if it has the time to live and does not get itself swamped.

President.—This question of a central institute I suppose is mainly a question of finance. I don't know what your Government would be prepared

to spend but industries being a provincial subject a duty of this sort devolves entirely on the provincial Government.

Mr. Karanjia.—You should make a recommendation to that effect.

President.—A recommendation can be made by us but whether the provincial Government will accept such a recommendation.

Mr. Karanjia.—If you recommend we shall remind them oftener than they need to be reminded. We can go a step further and say Government should assist it and a certain percentage of the expenditure would be borne by the manufacturers also.

Dr. Matthai.—We discussed the possible cost of an institute of that kind with the Director of Industries, Bombay, and his suggestion was that the capital expenditure would not exceed Rs. 75,000 for a school of reasonable dimensions and the running expenses would come to about Rs. 45,000 a year.

President.—It is not a very large sum considering the interests involved.

Mr. Karanjia.—No, it is not. 50,000 people are employed in this trade including Benares, Madura and Surat. I don't think it is large and even then a method could be devised to meet this expenditure if Government is agreeable to our views and you made a recommendation to that effect.

Mr. Tairsee.—Because we had the idea of financing in our mind that we made the other suggestion knowing that the trouble was the question of finance. In order to make a beginning we suggested that scholarships should be given. Those schools which are already in existence in Benares and Surat can have morning and evening classes and the workmen who join there should be given something. It is because of the financial point of view that we have placed the second suggestion though we believe that the first will serve a better purpose. At this juncture Mr. Karanjia hands in a statement.

President.—What is this laconic?

Mr. Karanjia.—This is a term used by the French and in the Customs they say.....

Dr. Matthai.—This will be covered by that definition?

Mr. Karanjia.—Yes. At this juncture Mr. Karanjia hands in a small sample. If this importation of paper embroidery is prevented that will increase the output of gold thread in India.

Dr. Matthai.—What is it used for?

Mr. Karanjia.—For dresses. These are used largely in Upper India about 500 pieces a month.

Dr. Matthai.—What does it cost?

Mr. Karanjia.—Rs. 20 a piece of 25 yards and if I were to show you a whole piece you would buy it.

Dr. Matthai.—Is it from France?

Mr. Karanjia.—No, it comes from Japan. Japan has practically ousted France.

Dr. Matthai.—What are its lasting qualities?

Mr. Karanjia.—It requires a particular method of washing. You must wash it in cold water and must not be twisted when drying and then it would last for two years. This is artificial silk and the thread is not gold but paper. If you put it into water and rinse it all the paper will come off. I have seen how they manufacture it.

Dr. Matthai.—Have you any idea what this kind of imitation thread will cost?

Mr. Karanjia.—It is very cheap. It is on reels. It is made as a cottage industry in Japan. It is I think 12 annas a lb. or so.

Dr. Matthai.—That is about 6 annas a mare and the lowest kind of imitation that comes in costs Rs. 2 a mare?

Mr. Karanjia.—Yes. But there is no metal here; it is only paper and not even good paper at that.

Collector of Customs, Bombay.

A.—WRITTEN.

Letter No. 677, dated the 14th August, 1930, from the Tariff Board.

GOLD THREAD INDUSTRY.

I am directed to forward herewith a list of the points upon which the Board would be glad to receive information from you. I am to suggest that it will be most convenient if you can first send the Board a written reply to these questions. The Board will then wish to examine you orally on any points which require to be supplemented or elucidated.

Enclosure.

1. In the Annual Statement of the Seaborne Trade of British India for the year ending 31st March, 1929, the imports of gold and silver thread into Bombay are shown at 12 lakhs. Please state how much of this and also of the figure for 1929-30 represents—

- (a) Real gold and silver thread, i.e., thread containing 1·5 per cent. or more precious metal. It is presumed that thread not containing more than 1·5 per cent. precious metal is classed as imitation.
- (b) Fancy dress lengths or saris manufactured in part of real gold or silver thread.
- (c) Imitation gold or silver thread, i.e., thread containing less than 1·5 per cent. precious metal.

In the case of (b) please state how such fabrics are assessed, i.e., whether 38 per cent. is charged on the total value of the fabric or only on the estimated content of gold or silver thread.

2. What are the approximate quantities and values of imitation and half fine imitation thread imported into Bombay annually in recent years and what are the countries from which they are principally imported. If possible please give the figures for imitation and half fine imitation separately. Please state what articles are included under the Custom head "Jainetta". Are any such articles containing more than 1·5 per cent. precious metal included under this head?

3. (a) Please state by examination of invoices or otherwise during the current year—

- (i) the highest c.i.f. price of imitation or half fine imitation gold thread,
- (ii) the lowest c.i.f. price of imitation or half fine imitation gold thread,
- (iii) the c.i.f. price of the class of imitation or half fine imitation gold thread most commonly imported.

In each case give the fineness of the thread, i.e., the number of yards to the ounce.

(b) Is it the case that the great bulk of half fine imitation thread is assessed at 15 per cent.?

4. The present duty on real gold thread is 38 per cent. and on imitation gold thread 15 per cent. *ad valorem*. To what extent do you consider that Customs administration would be simplified by the assessment of a uniform duty, say, 30 per cent. *ad valorem* on all classes, both real and imitation?

5. It is understood that with a view to the detection of smuggling all real gold thread imported through the Customs is marked. Do you consider that if the same duty, say 30 per cent. *ad valorem*, were assessed on imitation gold thread it would be necessary to mark this class of articles also?

6. Since the increase of the duty from 30 to 38 per cent. on real gold thread, has there been any considerable diversion of the trade to Kathiawar ports? Is there any reason to suppose that reshipments from Bombay to Karachi represent imports into Kathiawar ports?

(2) *Letter RSR. No. 5078, dated the 20th August, 1930, from the Collector of Customs, Bombay.*

GOLD THREAD.

I have the honour to refer to your letter No. 677, dated the 14th August, 1930, on the above subject.

You appear to be under a misapprehension as to the significance of the critical percentage of 1.5. This is not the border line figure marking the distinction between real and imitation gold thread: It merely marks the limit up to which the Government of India is prepared to relax the strict application of section 21 of the Sea Customs Act which would involve the assessment of *all* gold thread, real or imitation, at the higher rate. Thus while it is true that all thread containing less than 1.5 per cent. of precious metal is imitation, the converse is not true.

Real gold thread and imitation gold thread are not separately recorded for statistical purposes and the figures now to be given are rough estimates only. Of the total imports of gold thread into Bombay about 1 to 2 per cent. consists of real gold thread. The importations of fabrics embroidered with gold and silver are estimated at Rs. 2,50,000 including the value of the fabric. The fabric is usually silk and is assessed at 38 per cent. on the total value of the fabric if the embroidery extends through one-third of the superficial area. If the embroidered area is less than one-third the assessment is at the rate appropriate to the fabric, e.g., 30 per cent. in the case of silk. There is of course no statutory justification for the difference; it is merely another example of the relaxation of the provisions of section 21 of the Sea Customs Act.

The figures of importation of half fine and imitation gold thread for the past three years are approximately 10 lakhs, 11½ lakhs and 13 lakhs of which 25 per cent. is half fine. The main suppliers are France and Germany, ¾ of the imports coming from the former. A rough estimate of the quantity may be got by assuming a flat rate of Rs. 10 per lb.

Lametta includes gold and silver lametta wire and "bouillon" which is wire or lametta formed into a fine spiral. On rare occasions a precious metal content of more than 1.5 per cent. is found.

The following statement gives the information asked for in paragraph 3 (a) of your letter:—

Highest c.i.f. price and fineness.

Lowest c.i.f. price and fineness.

Imitation—

(a) Sh. 4-2 per 210 grammes.

(a) Sh. 3 per 210 grammes.

(b) 1,200 yds. per ounce.

(b) 750 yds. per ounce.

Half fine—

(a) Sh. 9-6 per 245 grammes.

(a) Sh. 4 per 241 grammes.

(b) 1,200 yds. per ounce.

(b) 900/1,000 yds. per ounce.

The most popular qualities are imitation at sh. 3 and half fine at sh. 6-6.

The bulk of half fine is assessed at 15 per cent. as it contains less than 1.5 per cent. of precious metal. In this connection you may be interested to know how the percentage 1.5 came to be chosen. A strict application of section 21 of the Sea Customs Act means that even an insignificant amount of precious metal in the thread or lametta involves assessment at the higher rate. It was felt in such cases that in equity, some concession was called for and the Commissioner of Customs in Bombay ordered that amounts less

than 1 per cent. might be neglected. This concession was believed to be sufficient to meet the grievance of importers. It was found however that very slight excesses occurred and in order to provide for such cases the critical percentage was moved up to 1.5 per cent. The result was inevitable. Competition has taken the form of improvement of quality and suppliers are manufacturing as close to the critical percentage as possible and as a result they often get over it and we are now in much the same position as we were when 1 per cent. was the critical figure.

The imposition of a flat rate of real and imitation gold thread would be a great simplification of our work and would save us 100 to 150 tests a month.

In view of the much lower value of imitation gold thread the inducement to smuggle is less and the necessity to mark imitation thread with the Custom stamp would not be an immediate one.

I cannot say whether there has been any great diversion of the trade to Kathiawar ports. The Collector of Salt Revenue may be able to give information regarding imports across the land frontier, licit and illicit. Goods shipped from Bombay to Karachi are accounted for there and it is in the highest degree impossible that non-duty paid goods consigned to Karachi should find their way into the Kathiawar ports.

(3) *Letter RSR. No. 5078, dated the 26th August, 1930, from the Collector of Customs, Bombay.*

Subject:—GOLD THREAD AND IMITATION GOLD THREAD.

I have the honour to forward herewith the following information supplementary to my examination by the Tariff Board:—

- (1) Gold thread is at present assessed under section 30 (b) of the Sea Customs Act on its landed cost, i.e., on its invoice value.
- (2) No figures are available, but I am informed that since the imposition of the higher rate of duty in 1923, the imports of real gold thread have considerably fallen off and imports of imitation gold thread have increased.
- (3) I suggest that the following wording might be adopted if it were decided to propose a uniform rate of duty for real gold thread and all its substitutes:—

“Gold thread and wire, silver thread and wire (including so-called gold thread and wire mainly made of silver), imitation gold or silver thread and wire and lametta, irrespective of the quantity of precious metal contained therein, and similar metallic filaments used for the ornamentation of woven fabrics.”

(4) *Letter D. O. RSR. No. 5078 of 1930, dated the 15th September, 1930, from the Collector of Customs, Bombay.*

In continuation of my discussion with the members of the Board I give below an amended version of my draft:—

“Metallic filaments used for the ornamentation of woven fabrics, including—

- (1) gold thread and wire,
- (2) silver thread and wire,
- (3) imitation gold and silver thread and wire, and
- (4) lametta,

and metallic spangles, irrespective of the quantity of precious metal contained therein.”

Purl, of which I enclose a sample, may be regarded as a metallic filament.

GOLD AND SILVER THREAD ENQUIRY.

B.—ORAL.

**Evidence of Mr. T. A. STEWART, I.C.S., Collector of Customs,
Bombay, recorded at Bombay on Friday, the 22nd August 1930.**

* * * * *

President.—You state here that this percentage of 1·5 per cent. of precious metal which is at any rate for practical purposes taken as the limiting line between the 15 per cent. duty and the 38 per cent. duty is really introduced for administrative convenience.

Mr. Stewart.—Not so much for administrative convenience.

President.—But from a sense of equity?

Mr. Stewart.—Yes. I think Government did not want to charge the higher rate on articles containing an insignificant quantity of gold.

President.—I suppose there would be no difficulty in manufacturers making absolutely certain of their gold thread content. I understand what is called imitation, apart from half fine imitation, has no gilding and therefore contains no gold and is usually made of brass or copper. If the article imported is imitation in that sense it is very seldom that it would contain any precious metal.

Mr. Stewart.—To start with, they would not call it gold thread or imitation gold thread. If the trade name "imitation gold thread" means thread which has in its composition precious metal, it would be a false trade description. It would be a contradiction in terms.

President.—There are three classes. First of all there is the real gold thread which contains a very considerable percentage of silver and gold, then there is half fine imitation made of base metal which contains gilding and then there is imitation which has no gilding at all.

Mr. Stewart.—I understand that both half fine and imitation are described as containing gold.

President.—We understood from the trade that the imitation has no gilding at all. It cannot have very much, because it comes in at 3 shillings a lb.

Mr. Stewart.—I grant that it may be an infinitesimal amount, but certainly we find it necessary to carry out tests on the imitation just as much as on half fine. Actually we have found in imitation more than 1·5 per cent.

Dr. Matthai.—In half fine imitation which is gilded there would be a certain amount of gold. In imitation pure and simple it would not be gold, but silver. That is to say your base metal which is used for imitation might consist in the main of copper or brass.

Mr. Stewart.—But the amount of gold is insignificant in every case—even in the fine so-called gold thread.

President.—It contains 1·5 per cent. We certainly understood from the importers that the imitation has no gilding at all, but it consists mainly of brass and copper thread flattened out and then spun.

Mr. Stewart.—We have records of precious metal content and a certain amount is recorded as having contained 1·5 per cent. of precious metal. It might not be gold, but it might be silver.

President.—Is that imitation or half fine imitation?

Mr. Stewart.—That is imitation.

President.—Do you distinguish between imitation and half fine?

Mr. Stewart.—We don't, but we have records of tests of the various qualities.

President.—You mean of the various kinds as described?

Mr. Stewart.—Yes.

Dr. Matthai.—That is to say an article which bears a trade description 'pure imitation' has been found by you to contain more than 1.5 per cent. of precious metal?

Mr. Stewart.—Yes.

President.—Is it not a question as to whether in this case the description is really correct? It is really half fine imitation according to the trade usage.

Mr. Stewart.—My answer to that would be that the manufacturer would be very unlikely to misdescribe his goods in a way which would spoil their selling value.

President.—Once he gets it passed by the Customs, then he can do what he likes.

Mr. Stewart.—I think the purchasers go very very largely by the marks and descriptions on the packages.

President.—From your point of view it has never been suggested that all these imitation and half fine imitation should come in at the same duty?

Mr. Stewart.—I have never heard that suggestion before.

President.—What is the reason for differentiation?

Mr. Stewart.—You mean why one is charged at 38 per cent. and the other at 15 per cent.

President.—Yes.

Mr. Stewart.—The differentiation is that the presence of a very small quantity of the precious metal strictly speaking renders it all assessable at the rate appropriate to the precious metal, but in view of the insignificance of the amount, the Government of India in this case as in others have decided to waive the strict application of Section 21 of the Act up to a certain extent.

President.—Supposing we wanted to impose the same duty on gold thread, half fine imitation and imitation, so far as that portion which contains a certain amount of precious metal is concerned, there would be no difficulty. But would there be any difficulty in describing imitation gold thread in the Customs Tariff Schedule? Assuming that it contains no precious metal, would it still be possible to bring it under the assessment?

Mr. Stewart.—I think the first thing they would do would be to describe it as say, copper alloy thread. It would obviously be the thing to do.

President.—In order to meet that attitude by the trade, it would be necessary, instead of having an entry of gold thread, to have an entry of thread spun with metal.

Mr. Stewart.—Yes.

President.—It would be possible to devise an entry of that sort to include all?

Dr. Matthai.—The fear is about including the so called gold thread.

Mr. Stewart.—It is all "so called gold thread". The first impression that one has of the best quality is that it is gold thread, whereas the proper name of it, if any, would be silver thread with gilding.

President.—But now the problem presents itself in this form. If we were to recommend that Government should strictly interpret the Sea Customs Act, any gold thread which contains even a trace of precious metal would be assessable at 38 per cent. and you would still be left in the same position as you are at present. You would have to carry out a certain amount of tests to see whether some of this thread which is stated to be made of brass contains any precious metal.

Mr. Stewart.—That would be so.

President.—So, from the administrative point of view, it would be really preferable to introduce some comprehensive item here which would include metal thread of every kind.

Mr. Stewart.—That is so.

President.—In which case the duty of 38 per cent. would automatically apply to any thread which came in which was woven with lametta.

Mr. Stewart.—Lametta is not thread. It is rather in the nature of ribbon.

Dr. Matthai.—The essence of thread is the combination of yarn with wire. The presence of yarn is the essence of thread.

Mr. Stewart.—Yes.

President.—The metal woven round it is lametta. If it is not woven it would be called lametta.

Mr. Stewart.—I could not say as regards that. I have not seen gold thread taken in pieces to that extent.

President.—Can you suggest a description which would cover all thread woven with metal? Perhaps you can think it over and let us know.

Mr. Stewart.—It is a question for consideration whether there is any other sort of combination of thread and metal which is not related to gold thread. There may be, though I can think of none at the moment.

President.—The difficulty is this. Before the 1 per cent. test was introduced originally perhaps the trade complained that it was unfair that thread containing a very small percentage of precious metal should be liable to assessment and then you introduced 1 per cent. Then, presumably the trade again complained that it was very difficult to manufacture in such a way as to be just 1 per cent. and not a little over, and it was pushed up to 1½ per cent. Now we understand from the trade that the position is the same.

Mr. Stewart.—They cannot manufacture thread, the precious metal content of which is always 1.5 per cent. We get cases in which it is over.

President.—They say that it gives rise to a lot of trouble.

Mr. Stewart.—One of their very important objections is that until the question of assessment is settled they cannot sell. Until they know what the duty is, they cannot sell.

President.—It was actually suggested to us by one of the representatives of the Bombay Chamber of Commerce that for this reason only it might be desirable to have the same duty on gold thread and imitation gold thread.

Mr. Stewart.—It certainly would simplify matters to a considerable extent for us and for the trade also.

President.—It would not constitute a very great burden on the consumer or trade generally because the imitation comes at about 3 shillings per lb. real gold thread at 50 or 60 shillings and the half fine imitation at somewhere between 6 and 10 shillings.

Mr. Stewart.—The difference between 15 and 38 per cent. is not really oppressive.

President.—It would not affect anybody, would it?

Mr. Stewart.—They would certainly complain about it.

President.—The trade would?

Mr. Stewart.—Yes. I mean that the present 1.5 per cent. concession was a result of their complaint of heavy incidence.

President.—Would they really have any ground for complaint? Government has been meeting them in every possible way and each time Government makes a change, the trade comes and complains. Now Government may say "very well, we realise that it is troublesome for the trade but in order to avoid all future trouble we are going to have the same duty all round and you will have no further cause for complaint".

Mr. Stewart.—I do not consider that it would be a very serious additional burden.

President.—On the other hand we understand that no imitation is made in India—or practically none—but the machinery for the manufacture of imitation is pretty much the same as for the real gold thread, so that there would be no difficulty in the local manufacturers taking up the manufacture of imitation thread in India. If that be so, the price difficulty would in the course of a few years be much the same as now. It is said that about 80 per cent. of the thread consumed in the country is Indian made. The price of the imported thread is Rs. 40 per Marc, but owing to the competition of the various small manufacturers the price of Indian thread of comparable quality is now Rs. 25. So, the ultimate result owing to the establishment of imitation gold thread factories would probably not be considerable. At any rate, from the point of view of administrative convenience you would support the proposal for an all round duty on both real and imitation threads?

Mr. Stewart.—Yes.

Dr. Matthai.—Under what category is imitation assessed? I suppose under the general category of articles not otherwise specified?

Mr. Stewart.—It is assessed at the rate appropriate to the thread manufactured out of gold and silver.

Dr. Matthai.—When you apply section 21 of the Sea Customs Act, and at the same time make provision for the consideration of equity—where the precious metal content falls below 15 per cent. you apply a lower duty—what exactly is the category to which that lower duty is appropriate? Why do you make it 15 per cent. and not 10 per cent.?

Mr. Stewart.—Fifteen per cent. is our general rate. If you eliminate gold and silver, the article would be a manufacture of copper.

President.—For the purpose of assessment it would fall under the category of other articles, 15 per cent.?

Mr. Stewart.—Yes.

President.—The imitation is classed with real gold thread?

Mr. Stewart.—Yes, under “apparel”.

President.—At present from your examination of the returns you are satisfied that practically no real gold thread is imported?

Mr. Stewart.—That is so.

President.—Could you either state or ascertain for us whether the import of gold thread, since the 30 per cent. duty was introduced in 1922 had decreased? A general statement would be sufficient.

Mr. Stewart.—I could not off hand give any answer with reference to Bombay, but I shall endeavour to find out.

President.—If it would be possible without too much work for you to find that out, it would be useful to us.

Dr. Matthai.—The point being whether since the introduction of the 30 per cent. duty the proportion of imitation and half fine imitation has risen.

Mr. Stewart.—Yes.

President.—You say in your letter “The importations of fabrics embroidered with gold and silver are estimated at Rs. 2,50,000 including the value of the fabric”. Would these be embroidered with imitation gold and silver thread according to the trade description?

Mr. Stewart.—The majority of them are I think embroidered with real gold thread.

President.—They consist mainly of dress lengths, saris, etc. I suppose?

Mr. Stewart.—Yes.

Dr. Matthai.—Under what authority do Government relax section 21 of the Sea Customs Act? I find the section says 'unless it is expressly provided in the Act'.

Mr. Stewart.—The Government of India are prepared to make concessions by executive instructions. They have also power under section 23 to do this by notification.

Dr. Matthai.—They have not notified this?

Mr. Stewart.—No.

Dr. Matthai.—Their power of exemption is conditional on notification?

Mr. Stewart.—That is so according to the Act.

Dr. Matthai.—This 1·5 per cent. in regard to precious metal is a negligible factor, but where the proportion is one third as in the case of fabrics, it does seem a rather substantial violation of the section.

Mr. Stewart.—It is a very difficult matter to prescribe any boundary line.

Dr. Matthai.—I cannot help thinking with regard to the precious metal content if you had started with 2 per cent. I think you might have reduced the border line cases to a minimum because the gold content of all this electric gilt thread is supposed to vary between $\frac{1}{4}$ and $\frac{1}{2}$ per cent.

Mr. Stewart.—What about the silver content?

Dr. Matthai.—In half fine imitation there is practically no silver; so that the class of cases that fall within 1·5 per cent. would in my opinion be generally half fine imitation.

Mr. Stewart.—We started at 1 per cent. because that was thought to be a sufficiently high percentage to let all the imitation escape. Now I suggest that if you fix any other percentage of that sort, competition will take the form of manufacturing towards it.

Dr. Matthai.—You give 13 lakhs as the approximate value of gold and silver thread in 1929-30.

Mr. Stewart.—Yes.

Dr. Matthai.—Taking the various proportions that you suggest here I make the following analysis. The total value of gold and silver thread is Rs. 13 lakhs. Out of that, fabrics embroidered would be roughly Rs. $2\frac{1}{2}$ lakhs. Then, real gold thread you say would be about 2 per cent.

Mr. Stewart.—1 to 2 per cent.

Dr. Matthai.—Say about Rs. 25,000. Half fine you say is 25 per cent. That would be Rs. 3 lakhs and the rest would be pure imitation, that is to say out of Rs. 13 lakhs I make out approximately Rs. $2\frac{1}{2}$ lakhs would be embroidered fabrics, real gold thread about a quarter of a lakh, half fine about Rs. 3 lakhs and imitation about Rs. $7\frac{1}{2}$ lakhs.

Mr. Stewart.—They are very rough figures. I have no records on which I can go. From talking over the question with the appraiser who is in touch with the trade, we get a general idea. I attach no particular sanctity to the figures.

President.—Your estimate of the import of real gold thread, as far as we can gather, corresponds with the opinion of the trade because the representatives of the Bombay Chamber of Commerce—they also represent two very big firms dealing in gold thread—whilst giving evidence before us told us that their import of gold thread had ceased. So, the estimate of Rs. 25,000 would be approximately correct.

Dr. Matthai.—This analysis fits in with the general impression that we have formed.

President.—There is not much of this lametta coming in the form of wire. Supposing a firm out here wanted to import wire, would that be shown under lametta?

Mr. Stewart.—Yes. Gold wire is shown as lametta

President.—All lametta or most of it comes in the form of reels?

Mr. Stewart.—Yes, wire is also reeled in the same way.

President.—As regards this French 'bouillon', is that formed into a fine spiral?

Mr. Stewart.—It looks like a very flexible kind of gold thread. When you pull it out, you find that it is a gold wire coiled in the form of a spiral.

President.—Is that used as ornament?

Mr. Stewart.—Yes. It comes in very much the same way as lametta.

President.—But not in the form of separate spirals?

Mr. Stewart.—No. It comes in as a continuous string.

President.—Practically all of what is classified as lametta is either imitation or half fine?

Mr. Stewart.—Yes.

President.—Spangles are classified under what item?

Mr. Stewart.—Synthetic spangles come under haberdashery, copper and brass spangles under hardware and gold and silver spangles under jewellery.

President.—Supposing a silk saree was imported which had synthetic spangles on it would be assessed at the silk rate?

Mr. Stewart.—Yes.

President.—We were told that these imitation spangles cost practically nothing whereas spangles manufactured in India would cost something like Rs. 27 against Rs. 2 of the imported stuff. So that there would be no point in taking it out of haberdashery and putting it under lametta.

Mr. Stewart.—There would be no point in doing that.

President.—Would lametta cover a flattened wire containing no precious metal in it?

Mr. Stewart.—It is a matter of definition of lametta. I have always regarded it as having at least some suspicion of precious metal in it.

President.—These cheap clothes such as the coolies wear contain just a streak of brass thread I should imagine?

Mr. Stewart.—My impression is that it does contain some faint trace of precious metal. I can verify that for you.

President.—At any rate there will be no real difficulty in either interpreting lametta to cover all kinds of flattened metal or in introducing some sort of new term.

Mr. Stewart.—I think there would probably be difficulty. If you have an item in the tariff schedule simply 'Lametta' without any qualification of it, you are bound by the ordinary trade interpretation, but if you amplify it by saying for example "Lametta, that is all embroidery weaving metal in the form of a ribbon" then we can do what you want.

President.—Would you consider that and see if you can find a definition which will cover every kind of imitation?

Mr. Stewart.—I will do it.

Dr. Matthai.—You levy the duty on gold thread on the invoice price, do you?

Mr. Stewart.—Just for the moment I could not say but my impression is that it is a market value assessment.

Dr. Matthai.—Could you kindly look that up?

Mr. Stewart.—I shall look it up and let you know.

President.—The two points on which we should like you to devise a formula would be some sort of classification both in the case of gold thread and lametta which would cover not only those classes of gold thread and lametta which contain precious metal but also all kinds of colourable imitation.

Mr. Stewart.—Yes.

Dr. Matthai.—The total imports into Bombay in 1923 was somewhere about 10 or 11 lakhs: it remains to-day at 12 lakhs. There is no variation in spite of the very high duty on real gold thread and the only way one can understand it is that the proportion of real gold thread has fallen and that there has been a large increase in the imports of imitation. Are there any figures in the Customs which would throw light on this point?

Mr. Stewart.—My impression is that there has been an actual increase in the past three years. It was 14 lakhs for the year ending March 1930.

President.—Do you recollect whether in Madras the proportion of gold thread importation is much higher than in Bombay?

Mr. Stewart.—My impressions about gold thread importation in Madras are mainly those of illicit importations. Imitation is seldom imported there.

President.—It was a very large amount which was smuggled?

Mr. Stewart.—Yes, the quantity was very large.

President.—Smuggling arose almost entirely after the duty was raised from 15 to 30 per cent.?

Mr. Stewart.—It started before I went there in 1925.



नमो भगवते

Letter No. 700, dated the 21st August, 1930, from the Tariff Board, Bombay, to the Collector of Customs, Madras/Karachi.

I am directed to forward herewith a copy of a memorandum sent by the Board to the Collector of Customs, Bombay, shewing various points upon which his opinion was desired together with a copy of the reply sent by the Collector of Customs, Bombay. I am to say that the Board would be glad to receive a similar reply from you also on the same lines upon which the Collector of Customs, Bombay, has replied.



सत्यमेव जयते

Collector of Customs, Karachi.

Letter No. 1967, dated the 3rd September, 1930.

I have the honour to refer to your letter No. 700, dated the 21st August, 1930.

2. The value of imports of gold and silver thread at this port for the last two years is as follows:—

	Rs.
1928-29	3,45,053
1929-30	1,66,959

Imports of thread containing 1·5 per cent. and over of precious metal and those of thread containing less than this percentage are not separately recorded. Roughly speaking about 8 per cent. of the total imports is of thread containing 1·5 per cent. or more of gold or silver and the balance is of thread containing less than this percentage of precious metal. The Collector of Customs, Bombay, has already pointed out to you in his letter No. RSR/5078 of the 20th August 1930, that real gold and silver thread is treated in the same way as imitation gold and silver thread containing 1·5 per cent. or above of precious metal. No imports of fancy dress lengths of saris manufactured in part of real gold or silver thread took place at this port during the years 1928-29 and 1929-30.

3. Of the figures mentioned in paragraph 2 above imitation half fine gold thread may be taken to be about 10 per cent., the balance being imitation gold and silver thread. Figures of quantities are not separately recorded. At this port the principal imports are from Germany. The head "Lametta" includes imitation gold and silver lametta, wire and bouillon. These articles nearly always contain less than 1·5 per cent. of the precious metal.

4. The highest c.i.f. price of half fine imitation gold and silver thread is approximately 4s. 6d. per bundle of 240 grms. and the lowest is 2s. The highest c.i.f. price of imitation gold and silver thread is 6s. 7d. per bundle and lowest 3s. 3d. The c.i.f. price of thread most commonly imported at this port is between 3s. to 4s. per bundle. It is not possible to give any information as to the number of yards contained in a bundle. Bundles consisting of 230 to 300 skeins generally weigh from 227 to 240 grms. During the last two years all the consignments of half fine gold thread were assessed to duty at 15 per cent., as the thread was found, on test, to contain less than 1·5 per cent. of precious metal.

5. The duty on real gold thread is only 30 per cent. but that on silver thread, including also the so-called gold thread and wire (by which is meant imitation thread and wire), is 38 per cent. If a uniform rate of duty is fixed for all kinds of gold and silver thread, real, imitation and half fine, etc., the large number of tests and retests made in this Custom House Laboratory will be done away with. The delay and inconvenience caused to importers will be reduced and disputes as to assessment will be fewer. From an administration point of view, I would welcome the imposition of a uniform duty.

6. There is no arrangement for marking importations of real gold thread at this port. As pointed out above there has been no increase of duty on real gold thread. As regards the possibility of diversion of imports of imitation gold and silver thread to Kathiawar ports, I agree with the remarks made by the Collector of Customs, Bombay.

Collector of Customs, Madras.

A.—WRITTEN.

- (1) *Letter No. 410, dated the 4th June, 1930, from the Secretary, Tariff Board, Ootacamund.*

GOLD AND SILVER THREAD ENQUIRY.

I am directed to invite your attention to the Resolution of the Government of India in the Commerce Department, No. 180-T. (12) of the 15th May, 1930, and to say that the Board will be glad to receive from you information on the following points:—

I. *Smuggling—*

It is alleged that there is an extensive illicit trade in gold and silver thread between Pondicherry and the Madras Presidency.

- (i) Is it possible to obtain any figures to show the quantities of gold and silver thread landed in Pondicherry during the last ten years?
- (ii) What measures have been taken to check the illicit importation of this article and how far have they been effective?
- (iii) To what extent have changes in the import duty affected the quantities imported into the Madras Presidency?

II. *Imitation gold and silver thread—*

- (i) Under what item of the schedule is imitation gold and silver thread assessed at present?
- (ii) Would a proposal to assess real gold and silver thread to one duty and imitation to another involve any serious administrative difficulty?

III. *Other gold and silver manufactures—*

At present gold and silver thread fall under items 132 and 133 respectively and are assessed to duty as items of a group of manufactures.

If it were to decide to protect these articles, would their exclusion from their respective group be likely to cause any administrative difficulty?

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- (2) *Letter No. 1065/30-App., dated the 3rd July, 1930, from the Collector of Customs, Madras.*

Subject:—GOLD AND SILVER THREAD—ENQUIRY INTO.

Your letter No. 410, dated the 4/5th June, 1930.

I have the honour to furnish below seriatim the information required in the letter mentioned above.

It is a fact that there is extensive smuggling of gold thread across the land frontiers of Pondicherry and Karikal. Although the amount so smuggled has been considerably reduced by preventive measures, yet the amount is still considerable. For the year 1929-30 it is estimated that the loss of revenue due to smuggling amounted is about Rs. 1.75 lakhs while the value of seizures amounted is Rs. 30,000.

(i) It is not possible to obtain figures to show the imports of gold and silver thread into Pondicherry for the last ten years. Estimate placed the monthly average of imports previous to 1927 as high as 5,000 marcs. It is believed that in 1927-28 the monthly average had sunk below half that figure and that it has been steadily decreasing (*vide* my confidential note).

(ii) Measures that have been taken to check illicit importation:—

(a) The old Madras Land Customs Act has been replaced by a new Act No. XIX of 1924. Under the old Act the only penalty for smuggling was confiscation of the goods. The new Act renders persons who are concerned in the smuggling of goods liable to a penalty not exceeding Rs. 1,000.

(b) Since 1922 the frontier forces have been strengthened from time to time. In 1922 the force on the Pondicherry and Karikal frontiers consisted of—

Inspector.	Assistant Inspector.	Sub-Inspector.	Clerks and female Searchers.	Petty officers and peons.
1	2	12	34	257
While at the end of 1929 they consisted of—				
3	7	55	67	494

The effect of these measures is reflected in—

(a) the reduced imports by sea into Pondicherry;

(b) the increased imports on payment of duty at the ports of the Presidency as the following figures show:—

Years.	Madras.	Dhanushkodi.	Tuticorin.	Total.
1925-26 . .	3,76,905	7,19,140	—	10,96,045
1926-27 . .	7,97,345	6,89,489	45	14,86,879
1927-28 . .	6,78,047	5,90,801	—	13,68,848
1928-29 . .	10,45,227	6,05,224	35	16,50,486
1929-30 . .	12,09,676	7,36,400	2,496	19,48,572

NOTE.—These figures include import of imitation gold and silver thread.

Silver plate, etc., including gold and silver thread.

Years.	Duty collected.	Remarks.
	Rs.	
1925-26 . .	2,69,039	Silver or gold thread is not separately recorded as there is no separate head for it. The major portion of duty collected is on "silver or gold thread" by sea as well as by post.
1926-27 . .	4,08,020	
1927-28 . .	3,04,835	
1928-29 . .	3,87,046	
1929-30 . .	4,74,796	

(iii) The original levy of duty at 30 per cent. from 1st April, 1922 caused a diversion of trade from Madras to Pondicherry where it was transported across the frontier by smuggling agencies.

During 1924 for 18 days, *i.e.*, from 1st March, 1924 to 18th March 1924 the duty was reduced to 15 per cent. During this period 1,400 marcs were presented for payment of duty at the chaukis on the frontiers.

The reduction in duty per marc was approximately equal to the smugglers' commission and hence the advantage to be gained by smuggling was practically *nil*.

The recent increase of duty to 38 per cent. has not so far given any inducement to larger imports. But the period for which the new rate has been in force is too short to give a correct idea of the effect of the higher rate. But it can be said that the increased rate makes smuggling more profitable than before.

II. (i) and (ii) The assessment of imitation gold and silver thread depends on the content of precious metal. If on test the thread is found to contain 1.5 per cent. or more of precious metal it is assessed under items 107 and 108 of the Indian Customs Tariff—Schedule (item Nos. 131 and 43 B. B. B. of the Statutory Schedule) at 38 per cent.

If the content of precious metal is below 1.5 per cent. it is assessed under item 123 of the Indian Customs Tariff Schedule (Item No. 100 Statutory Schedule) at 15 per cent.

III. The separation of gold and silver thread and its assessment as a separate item will cause no administrative difficulty.

Reliable statistics of figures of imports into Pondicherry are available from June, 1927 only when the French Government imposed a tax of As. 8 per marc. (This information has been obtained from His Britannic Majesty's Consul at Pondicherry confidentially.)

1927-28. 1928-29. 1929-30. 1930-31.

(Part)

22,576 24,458 23,085 —

Monthly average 2,258 2,038 1,924 1,305

Statement showing the recent invoices values of gold thread with respective market value.

		High Standard Gold thread.	Brand.	Invoice value.	Market value.	Approximate value inclusive of duty.	Difference.
			yds.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Makers.	Henry Marleux Ltd., Louis Mark, Lyon.	No. 1 Ex. Deep	15/1550	23 8 4	40 12 0	33 2 0	7 10 0
		" 1 "	1200	20 14 7	38 12 0	29 0 0	9 12 0
		" 3 Pale "	13/1400	22 11 3	39 4 0	31 12 0	7 8 0
		" 1 "	1000	18 4 8	36 4 0	26 13 0	9 7 0
		" 1 "	1200	20 14 7	38 12 0	29 0 0	9 12 0
		" 1 "	15/1600	22 8 8	39 12 0	31 12 0	8 0 0
		" 5 1/2 Ex. pale.	12/1800	20 14 7	38 4 0	29 0 0	9 4 0
		" 3 "	1650	20 4 1	39 4 0	27 10 0	11 10 0
		No. 41 Ex. pale	15/1550	22 8 8	40 8 0	31 12 0	8 12 0
		" 3 "	1000	21 10 8	39 8 0	30 6 0	9 2 0
G. Datel & Co., Lyon		" 7 "	1200	20 6 8	38 12 0	27 10 0	11 2 6
		" 7 1/2 "	1200	18 4 8	36 8 0	24 13 0	11 11 0
		" 5 1/2 "	12/1300	21 8 1	38 12 0	30 6 0	8 6 0
		" 1 "	1400	21 0 3	39 4 0	29 0 0	10 4 0
		" 1 "	15/1600	22 0 10	40 0 0	30 6 0	9 10 0
		" 5 D e e p ord.	1650	18 9 11	36 4 0	26 4 0	10 0 0
		" 3 "	18/1700	15 11 3	33 12 0	22 1 0	11 11 0
		" 1 Pale "	15/1600	21 7 3	38 12 0	29 0 0	9 12 0
		No. 1 Ex. Deep 1st quality.	..	24 0 0	38 0 0	33 2 0	4 14 0
		No. 1 Ex. Deep 2nd quality.	..	22 0 0	36 0 0	30 6 0	5 10 0

N.B.—These values have been obtained from invoices which are treated as confidential documents in the Customs House. It is requested therefore that these details be treated as confidential.

(1) *Demi fine gold thread.*—Half fine imitation gold thread—low standard gold thread—is cotton thread wound round copper wire which again is gilt or silver coated or both. The contents of precious metal is very small, seldom coming up to 1.5 per cent. of the total metallic contents. Imitation gold thread (White metal on silk and gilt) is the only variety which has been found on test to contain over 1.5 per cent. of precious metal.

These are assessed at 38 per cent. or 15 per cent. *ad valorem* according as the percentage of precious metal is 1.5 (and over) or less than 1.5.

(2) Marc is a French weight equivalent to 245 grammes or 8·6 oz. avoirdupois approximately.

(3) Seizures on the frontier for the last three years:—

	1927-28.	1928-29.	1929-30.
Pondicherry Fr. Mares . .	416	371	694
Karikal „ . .	784	187	137
Total .	1,150	558	831

(4) *Classification in Statistical Returns.*—Gold and silver thread including imitation gold and silver thread—is classified under main head “Apparel”.

Separate figures for gold and silver thread are not recorded.

(3) Letter dated 16th July, 1930, from the Collector of Customs, Madras.

TARIFF BOARD—EVIDENCE.

Your letter dated the 11th July, 1930.

I have the honour to return duly corrected the record of evidence tendered by Mr. Greene and myself before the Tariff Board on the 30th June, 1930.

C. *Different kinds of gold thread.*—Demi fine gold thread or half fine or lower standard gold thread. Cotton thread wound round with copper which is gilt or silvered or both. The content of precious metals is very small seldom coming up to 1·5 per cent. of the total metallic content.

Imitation gold thread.—White metal on silk and gilt. This is the only variety which has been found on test to contain more than 1·5 per cent. of precious metal.

D. If imitation, demi fine and gold thread were assessable at the same rate of duty, we should be relieved of the necessity of analysing the imitation and demi fine but raising the rate of duty on the imitation and demi fine would probably lead to smuggling of these kinds across the frontier.

E. Seizures of smuggled gold thread for the last three years—

	Marc.
1927-28	1,150
1928-29	558
1929-30	831

I estimate that between 25 to 30 per cent. of the real gold thread in the Madras Presidency is smuggled.

F. Smuggling of silver bullion across the Karikal frontier has started since the duty was imposed.

H. The statistical classifications are not the same as the duty classifications and the details to be given in the statistical returns are decided by the Director General of Commercial Intelligence and Statistics. The figures are of course supplied to him by the different Custom Houses. At the time of assessment the details required for both the statistical and the duty returns are noted by the appraiser in the bills of entry. The statistical department of the Custom House then would record the imports under the proper Statistical heading. These compilations are then forwarded to the Director General of Commercial Intelligence and Statistics, Calcutta, each month.

(4) Letter No. R. O. R. 1774/30-Co., dated the 19th September, 1930, from the Collector of Customs, Madras.

TARIFF—GOLD AND SILVER THREAD—TARIFF BOARD ENQUIRY.

Your letter No. 700, dated the 21st August, 1930.

With reference to the Memorandum forwarded with your letter under reference, I have the honour to reply *seriatim* as under:—

1. (a) The following figures give the approximate value of real gold and silver thread imported into this Presidency during the last two years:—

	Rs.
1928-29	11.61 lakhs.
1929-30	14.24 „

It is not correct to say that all thread containing more than 1.5 per cent. of precious metal is real gold thread. In certain cases (e.g., white metal on silk) it has been found that the content of precious metal in imitation thread exceeds this percentage. I therefore agree with the Collector of Customs, Bombay, that this critical percentage is not the proper criterion for differentiating real from imitation thread.

(b) Fancy dress lengths or saris manufactured in part of real gold or silver thread are not imported in this Presidency. Apparently the demand for such articles is met by embroidering locally imported plain silk.

(c) The approximate value of imitation gold and silver thread imported into the Presidency during the years 1928-29 and 1929-30 was Rs. 4.89 lakhs and Rs. 5.25 lakhs respectively. These figures do not include the value of the so-called "lametta" which amounted roughly to 1.65 lakhs and Rs. 1.57 lakhs respectively.

2. It is seen from the reply from the Bombay Custom House that very inferior qualities of thread costing so low as 3 sh. per marc are imported there. Imports of such low qualities are not noticed in the ports in the Presidency, nor is any distinction made between imitation and half fine imitation thread.

The quantity and value of import of such thread may be roughly estimated on a flat rate of Rs. 12 per lb. as under:—

	Quantity.	Value.
	Lbs.	Rs.
1928-29	40,750	4.89 lakhs.
1929-30	43,750	5.25 „

France and Germany are the principal countries from which imitation gold thread is imported; the imports from Germany being estimated at 2 or 3 per cent. of the total imports.

Only one quality of "Lamotta" is imported at this port, in foils wound round wooden reels, and is probably similar to the "bouillon" mentioned in the letter from the Bombay Custom House. The import of "lametta" containing more than 1.5 per cent. of precious metal has not been noticed here.

3. (a) (i) and (ii) The highest and lowest c.i.f. prices of imitation or half fine imitation gold thread are respectively 8s. 6d. and 5s. per marc.

(iii) The following kinds of imitation or half fine gold thread are commonly imported, and their c.i.f. value is given against them:—

Dutel's and Morrieux's Black Horse	8s. 6d. per marc.
Rane Tiburce's Black Horse	8s. 4d. „

The fineness, as marked on the marc, is 11/1,200 yds. per ounce. The weight is 245 grammes generally.

(b) The reply is in the affirmative.

4. The imposition of a flat rate for all kinds of gold thread will certainly simplify the work to a considerable extent, as it will save the necessity for test, the number at present being about 20 in a month.

5. The smugglers profits on imitation thread, on account of its lower value, would be considerably less than on real gold thread. It is therefore doubtful whether smuggling operations across the land frontiers would attain such dimensions as to render stamping of the duty paid thread advisable.

6. So far as this Presidency is concerned, the point to be considered is whether the increase in the rate of duty to 38 per cent. has diverted the trade to the French ports. The addition to the duty undoubtedly provided an added incentive to the smugglers and in the normal course of events, some divergence of trade to Pondicherry was to be expected. This has, however, not taken place at present on account of the slump in the demand. Weaving is practically at a standstill in the Presidency through the closing of important markets such as Bombay.



सत्यमेव जयते

CUSTOMS DEPARTMENT, MADRAS.

B.—ORAL.

**Evidence of Mr. F. BUCKNEY, Collector of Customs,⁵ Madras,
and Mr. E. E. GREENE, Appraiser, recorded at
Madras on Monday, the 30th June, 1930.**

President.—You are Collector of Customs, Madras?

Mr. Buckney.—Yes, officiating.

President.—When did you take over charge?

Mr. Buckney.—About the end of February 1930.

President.—Your experience of Madras Customs is really very limited?

Mr. Buckney.—My recent experience is limited. I left Madras at the end of 1923.

President.—Were you here before?

Mr. Buckney.—Yes, in 1923. I was here from 1909—1913, 1919-19, 1920—23.

* * * * *

President.—Regarding the gold and silver thread, we understand that there is a good deal of smuggling from Pondicherry.

Mr. Buckney.—Yes, a good deal.

President.—Is that showing an increase since the duty has been raised from 30 to 38 per cent.?

Mr. Buckney.—No.

President.—No information at all to show that there has been any increase?

Mr. Buckney.—No.

President.—Some years ago, for three weeks, the duty was at 15 per cent. and we have a statement from Messrs. Peirce Leslie and Company, that during those three weeks the imports of gold thread into Madras increased very much and that the smuggling practically stopped.

Mr. Buckney.—I think during those three weeks that they cleared the stock at Pondicherry.

President.—How did the duty affect that exactly?

Mr. Buckney.—It was hardly worth while smuggling.

President.—Still it would be worth smuggling with 15 per cent. duty.

Mr. Buckney.—The price charged by smuggling agencies is about Rs. 6 a marc and with the rate of duty at 30 per cent. the duty per marc worked out to something like Rs. 13 or so.

President.—Have you any figures for those three weeks to prove that there was a decrease in smuggling? Was there any large increase of imports into Madras?

Mr. Buckney.—There was a large increase in the imports through Pondicherry. It did not come to Madras direct; it came to the Presidency through Pondicherry.

President.—Through the land Customs?

Mr. Buckney.—Yes.

President.—But so far as Madras is concerned, there was no particular increase in the imports?

Mr. Buckney.—No.

President.—Would you mind letting us have those figures?

Mr. Buckney.—Not at all. I shall send them to you later.

President.—I think that it was in 1925.

Mr. Buckney.—No, it was in 1924. It was expected that the duty would be reduced from 30 to 15 per cent.

President.—Would you mind looking up the figures and giving us a short note showing how far the statement of Messrs. Peirce Leslie and Company is confirmed by actual figures?

Mr. Buckney.—I shall send it to you later on.

Dr. Matthai.—That would be about March 1924?

Mr. Buckney.—Yes.

Dr. Matthai.—The Government of India wrote a letter about that time to provincial Governments and this is what they say—"The Government of India have definite information that the short period during which the duty on gold thread was being levied at 15 per cent. under the Finance Bill of last year showed a prompt revival of lawful clearances of shipments of gold thread in Madras".

Mr. Buckney.—Fifteen days afford no time to affect shipments. But the stocks that were in Pondicherry at the time and going to be smuggled were cleared in the ordinary way. It was not exactly an increase in shipments.

President.—How many different kinds of gold thread are there?

Mr. Buckney.—There are different brands.

President.—There is real gold thread.

Mr. Buckney.—There is no real gold thread.

President.—We understand that it is called real gold thread.

Mr. Buckney.—But it is really silver thread with gold gilt.

President.—That is 1st class.

Mr. Buckney.—Yes.

President.—Then, the 2nd class is what may be called half fine. How is that assessed?

Mr. Buckney.—I am not sure what half fine is.

Dr. Matthai.—Half fine contains very little silver. It is wound on cotton thread, but there is a certain amount of gilding, whereas real gold thread contains 75 per cent. silver. What we would like to know is taking this half fine imitation do you assess that under 38 or under 15 per cent.?

Mr. Buckney.—It depends upon the content of the precious metal.

Dr. Matthai.—Where exactly would you draw the line?

Mr. Buckney.—If it contains 1.5 per cent. or over we assess at 38 per cent.

President.—And below 1.5 per cent. it becomes imitation?

Mr. Buckney.—Yes. It is assessed at 15 per cent.

President.—That is very low.

Dr. Matthai.—If the quantity of silver in the Lametta is more, it might increase the weight. The importers would take care that the amount of silver is kept below that because there is a big difference between 15 and 38 per cent.

Mr. Buckney.—Yes.

Dr. Matthai.—I suppose what the trade calls half fine for Customs purposes would be assessable under 15 per cent.

Mr. Buckney.—I think so.

President.—This is what Messrs. Peirce Leslie and Company say:—

(1) Real or fine.

(2) Half fine Imitation.

(3) Imitation.

They don't put any definition as to the percentage of the pure metal which it contains at all.

Mr. Buckney.—No.

President.—The difference may depend upon whether it is wound on cotton or silk.

Dr. Matthai.—Could you give us a note as to what the trade calls half fine or half imitation and whether for Customs purposes it comes under 15 or 38 per cent.? Could you tell us precisely what the position is?

Mr. Buckney.—I think that the majority of the imitation which contains base metal is assessed at 15 per cent. See C.

President.—Do you have any difficulty in deciding between the two classes?

Mr. Buckney.—It has to be decided by a Chemist.

President.—How do you manage in land stations like Pondicherry?

Mr. Buckney.—They send up samples of imitation gold thread which are tested here.

President.—Can you give us some recent invoices to enable us to compare them with the market price? That is to say invoice price compared to market price representing invoice price plus landing charges and duty for real gold thread.

Mr. Buckney.—Yes.

Dr. Matthai.—From a purely administrative point of view have you any particular trouble in distinguishing between real and imitation thread for Customs purposes? Would it make matters more convenient for you if imitation and real gold thread were put together under the same item of tariff and assessed at the same rate of duty?

Mr. Buckney.—It would definitely inconvenience us if the imitation and real gold thread are assessed at the same rate of duty as real gold thread because one of our methods of keeping smuggling in check is to stamp and initial and date every marc of real gold thread that comes in. See D. At the beginning when we started that, we also stamped and initialled the imitation thread. But there were several protests about that and the volume of work was so very great that we abandoned that. If the duty on imitation which is 15 per cent. is raised to 30 per cent. it would be extremely difficult for us.

Dr. Matthai.—You are in favour of the continuance of the present practice of assessing the two things under two different heads?

Mr. Buckney.—Yes.

President.—What special measures do you take against smuggling? There have been protests from various companies I understand and in one of the representations I notice it is said that the Customs Department take special measures, to prevent smuggling from Pondicherry as far as possible.

Mr. Buckney.—The special measures taken have been to increase the staff. In 1922 the staff was increased by one Inspector, 2 Assistant Inspectors and 25 Sub-Inspectors and 144 Peons. That remained up to about 1925 and since then there has been a further increase.

President.—Do you think there has been a decrease in smuggling since then?

Mr. Buckney.—The imports into Pondicherry have certainly dropped. I am sorry I could not give an answer to your questionnaire because it took rather longer to get the figures from Pondicherry, but I will send you the figures. We can only get reliable figures from June 1927, because that was the date when the French Government put on a duty of 8 annas a marc.

President.—Do they measure this gold thread at 12 oz. to the lb. or 16 oz. to the lb.?

Mr. Buckney.—I don't know but I will find that out for you.

Dr. Matthai.—I take it the usual unit of shipment is a marc and you take the invoice price and charge the duty?

Mr. Buckney.—Yes.

Dr. Matthai.—What happens to the man who smuggles? What disciplinary action do you take against him?

Mr. Buckney.—We have made a change in the Land Customs Act which has made possible the imposition of a penalty on any person convicted of smuggling. The only penalty under the provisions of the old Act was confiscation but the present Act enables us to fine one who is concerned in smuggling.

Dr. Matthai.—When was this change made in the Land Customs Act?

Mr. Buckney.—In 1925 I think. Act XIX of 1924.

Dr. Matthai.—So that these two measures, namely increased staff and the imposition of fines, are in your opinion practically sufficient to prevent smuggling?

Mr. Buckney.—I won't say they are sufficient because of the quantity that is imported into Pondicherry, although it has dropped, 94 to 96 per cent. is smuggled.

President.—Have you had any large confiscations in recent years?

Mr. Buckney.—Yes. Last month we caught 200 marcs of gold thread smuggled by train.

President.—Probably you could give us the figures for the last two years of the amount actually detected. Messrs. Peirce Leslie say that probably 20 per cent. of the real gold thread sold in Madras is smuggled.

Mr. Buckney.—One can say that 94 per cent. of the imports into Pondicherry is smuggled. See E.

Dr. Matthai.—Your point is that by increasing the preventive staff and by making a change in the Land Customs Act what you have been able to do is to reduce the quantity imported into Pondicherry, but of the reduced quantity now imported into Pondicherry practically the whole is smuggled into Madras?

Mr. Buckney.—That is so.

Dr. Matthai.—If as Messrs. Peirce Leslie say 20 per cent. of the gold thread used in the Presidency is smuggled, then of course it is rather a serious matter for legitimate business people.

Mr. Buckney.—Quite.

Dr. Matthai.—There was a witness here this morning who told us that it was as high as 60 per cent. There is no means of getting at the actual figures of imports into Pondicherry?

Mr. Buckney.—There are figures but they are rather confidential.

President.—We can base our general conclusions on those figures without mentioning the figures. Perhaps you have no objection to letting us see them?

Mr. Buckney.—No. These are since June 1927. I will send them to you.

Dr. Matthai.—There is one other point on which we should like to have your opinion. We have been asked to consider the whole lot of these articles included in No. 103 of the Tariff Schedule. That includes not merely gold and silver thread but various forms of silver manufacture and plates. For tariff purposes all these things are now included in the same category. Suppose in the course of our enquiry we find that there is no case for protecting silver plate and other forms of silver manufacture and we confine ourselves to gold and silver thread and suggest that a separate entry should be made in the schedule will there be any difficulty from your point of view?

Mr. Buckney.—There would be no difficulty, except in so far as it affects the general duty on silver. I understand that the recent increase of duty on silver thread to 38 per cent. was caused by the imposition of duty on silver.

Dr. Matthai.—But inspite of the duty the price of silver has fallen.

Mr. Buckney.—But that was the cause of the increase.

Dr. Matthai.—It may not be necessary to apply different duties but what we have to face is this. Although the same rate may apply to all these silver articles, the 38 per cent. that applies to gold and silver thread may have to be declared protected and in that case it would come under the protective portion of the tariff schedule. If you are satisfied that that separation would not cause any administrative inconvenience that is all we want to know.

President.—Is there any smuggling of other silver manufacture at all?

Mr. Buckney.—No. See F.



नमो भगवते वासुदेवाय

**Oral evidence of Mr. SADAGOPA MUDALIAR, Inspector of Customs,
Pondicherry, recorded at Nellikuppam on Wednesday,
the 2nd July, 1930.**

President.—You are an Inspector of Customs on the Pondicherry frontier?

Mr. Mudaliar.—Yes.

President.—How long have you held this post?

Mr. Mudaliar.—Five years.

President.—On the Pondicherry frontier?

Mr. Mudaliar.—Altogether I have spent about 8 years here—five years as Inspector and 3 years as Assistant Inspector.

President.—So you are well acquainted with the traffic in gold thread.

Mr. Mudaliar.—Yes.

Dr. Matthai.—That is to say, you have been here continuously since 1922.

Mr. Mudaliar.—Yes.

Dr. Matthai.—Were you here in 1921?

Mr. Mudaliar.—Only since 1922, but for a short period of five months I went to Mangalore in 1926.

Dr. Matthai.—You are familiar more or less with the history of smuggling in that area.

Mr. Mudaliar.—Yes.

President.—We understand that there is a considerable amount of smuggling of gold thread.

Mr. Mudaliar.—Yes.

President.—From your recollection could you say when it started? How long has it been going on?

Mr. Mudaliar.—It started in 1922.

President.—Was that when the duty was raised to 30 per cent.?

Mr. Mudaliar.—When the duty was raised to 30 per cent.

President.—Before that was there any smuggling?

Mr. Mudaliar.—When the duty was at 20 per cent. there was also some smuggling.

President.—To what extent?

Mr. Mudaliar.—Not to such an extent as it was in subsequent years.

President.—Not so much?

Mr. Mudaliar.—No.

President.—Still there was a considerable amount of smuggling.

Mr. Mudaliar.—I have got figures to show the amount of smuggling.

Dr. Matthai.—The duty was raised from 20 to 30 per cent. in 1921?

Mr. Mudaliar.—The duty was raised to 30 per cent. from 1st March, 1922.

Dr. Matthai.—Before that it was 20 per cent.

Mr. Mudaliar.—From 1st March, 1921 to 28th February, 1922, it was 20 per cent. For only one year it was 20 per cent.

President.—Before that how much was it?

Mr. Mudaliar.—7½ per cent. from 1st March, 1916 to 28th February, 1921, it was 7½ per cent.

President.—You could not tell us from your figures the extent of smuggling when the duty was 7½ per cent.

Mr. Mudaliar.—The figures showing the quantity of gold thread imported into Pondicherry for the purpose of smuggling in previous years are not available. We have got correct figures from 1922 to 1928.

President.—Could you give us any figures to illustrate the extent to which smuggling took place when the duty was $7\frac{1}{2}$ per cent.?

Mr. Mudaliar.—No.

President.—Have you any figures of confiscation?

Mr. Mudaliar.—I have figures from 1921-22.

President.—Before that, when the duty was $7\frac{1}{2}$ per cent.?

Mr. Mudaliar.—There are no figures. From my office just before I started I enquired and learnt that there was no seizure prior to 1921-22.

President.—That was when the duty was $7\frac{1}{2}$ per cent.

Mr. Mudaliar.—Yes.

President.—What was the duty in 1921-22?

Mr. Mudaliar.—It was 20 per cent.

President.—What was the amount of seizures in that year?

Mr. Mudaliar.—24 Marks in the whole year.

President.—Which year?

Mr. Mudaliar.—1921-22.

President.—That was when the duty was 20 per cent.

Mr. Mudaliar.—Yes.

President.—That is not much.

Mr. Mudaliar.—Quite so.

Dr. Matthai.—That is about 12 lbs.

Mr. Mudaliar.—Yes.

President.—In subsequent years when the duty was raised to 30 per cent.?

Mr. Mudaliar.—425 Marks in 1922-23.

922	„	1923-24.
1,458	„	1924-25.
1,173	„	1925-26.
1,445	„	1926-27.

Then there is a fall.

416	„	1927-28.
371	„	1928-29.

President.—What do you attribute this considerable fall to?

Mr. Mudaliar.—I shall explain later. In 1929-30 the number of Marks seized was 694 and in the three months of the current year, i.e., April, May and June we have detected 280 Marks.

President.—During the last three months you had one very big seizure.

Mr. Mudaliar.—That was in the month of June.

President.—You had one very big haul.

Mr. Mudaliar.—Yes, and subsequent to the report I submitted there was another seizure of 50 Marks.

Dr. Matthai.—That I suppose is the highest on record.

Mr. Mudaliar.—235 Marks was the highest seizure ever made in a month since 1922-23 except in the month of February, 1925 when 480 Marks were seized.

Dr. Matthai.—That happened when the duty was put up.

Mr. Mudaliar.—I am unable to ascribe that as the reason.

Dr. Matthai.—Have you any reason to suggest?

Mr. Mudaliar.—For 4 or 5 months, our seizures were not satisfactory. So some special steps were taken to seize gold thread Marks during the last 3 months and it so happened that the three important smugglers whom we were watching were caught this month by chance.

President.—To what do you attribute the fall in the last three years in the amount detected?

Mr. Mudaliar.—It is due to two causes. The first cause is that in the three years prior to 1927-28 we made very large seizures. As I mentioned before, we seized 1,458 Marks in 1924-25, 1,173 Marks in 1925-26 and 1,445 Marks in 1926-27. The plan we adopted to seize those large quantities was to study the movements of big smugglers and seize their goods with the result that many of them were put to loss and they gave up the smuggling business.

President.—So you attribute the fall to more efficient methods adopted by the Customs in the years previous to that.

Mr. Mudaliar.—Yes, that is part of the reason. The second and very important reason is that most of the agents of gold thread in the Madras Presidency came to a decision that they must not import their gold thread through Pondicherry. In order to preserve their good name they made up their minds to import them into Madras.

President.—Was that due to the persuasion of the Customs Department?

Mr. Mudaliar.—Yes. In one case at any rate I knew that Mr. Watkins, the then Collector of Customs, Madras, sent a wire to me to go to Madras to discuss the question with a representative from France who, after the discussion was over, assured the Collector that he would see that his Marks were not sent to Pondicherry. From that time onwards I also observed that certain brands were not imported into Pondicherry. So, I concluded that there must have been a combination amongst certain manufacturers to send them to Madras and not to Pondicherry.

President.—Then, in your opinion, the measures taken by the Customs Department have been fairly effective in restricting the amount of smuggling.

Mr. Mudaliar.—Yes.

President.—What would you put the percentage of gold thread smuggled into the Madras Presidency at? Could you give us any sort of estimate? I thought that you had figures of imports at Pondicherry. What are those?

Mr. Mudaliar.—The average number of Marks imported into Pondicherry in the year 1927-28 was 2,258 a month.

Dr. Matthai.—Supposing we took about 25,000 to 30,000 Marks a year?

Mr. Mudaliar.—If you want to take into consideration the figures of the last three years, viz., 1927-28, 1928-29 and 1929-30. I think that it would be about 22,500 to 24,500 Marks, the latter figure being the highest.

Dr. Matthai.—Let us take 23,000 Marks as roughly the average per year.

Mr. Mudaliar.—Yes.

Dr. Matthai.—The present price of gold thread at port is somewhere about Rs. 40 per Mark.

Mr. Mudaliar.—Do you mean the invoice price or the import price?

President.—The duty paid price?

Mr. Mudaliar.—About that.

Dr. Matthai.—That gives you the total value of the imports into Pondicherry and that is about Rs. 9 lakhs.

Mr. Mudaliar.—Yes.

Dr. Matthai.—If you left out the duty, even then it would be about Rs. 8 lakhs.

Mr. Mudaliar.—Yes.

Dr. Matthai.—The imports into Pondicherry must form a very considerable proportion of the consumption of the Madras Presidency.

Mr. Mudaliar.—Yes. Now at least one-third of the quantity consumed in the Madras Presidency is imported through Pondicherry.

President.—Of this what percentage do you think is smuggled? Have you got any figures to show how much duty has been levied.

Mr. Mudaliar.—In 1927-28, 483 Marks were cleared on payment of duty, in 1928-29 634 Marks and in 1929-30, 102 Marks.

Dr. Matthai.—So that we may take it that practically the whole of this is smuggled.

Mr. Mudaliar.—Yes.

President.—Have the imports been going down in Pondicherry?

Mr. Mudaliar.—Yes.

President.—For what reason?

Mr. Mudaliar.—For this reason. I can give you figures for the last ten years showing the amount of gold thread cleared from Pondicherry on payment of duty.

President.—What we would like to know is the total quantity imported into Pondicherry. You say that imports have gone down?

Mr. Mudaliar.—Yes.

President.—Please give us figures to show that they have gone down. What are the actual figures?

Mr. Mudaliar.—These are the figures.—For 10 months in 1927-28 the total imports of Marks were 22,576; for 12 months in 1928-29 they were 24,458 and for 12 months in 1929-30 they were 23,085.

President.—The imports have not gone down very much.

Mr. Mudaliar.—No. The imports have been rather steady. These figures have been gathered from the French Domain Office. They levy a duty of 8 annas per Mark, but they call it fee.

Dr. Matthai.—That is about 1 per cent.

Mr. Mudaliar.—Yes. They call it fee because it appears that they have no power to levy any duty.

Dr. Matthai.—It looks to me that the effect of the improved measures that the Customs Department have taken and the agreement between importers have been rather to prevent an increase in smuggling than to reduce smuggling. The figures of the last three years show that the imports into Pondicherry have remained rather steady—roughly about 23,000 Marks a year.

Mr. Mudaliar.—Yes.

Dr. Matthai.—It has been so for the past three years.

Mr. Mudaliar.—Yes.

Dr. Matthai.—All that you have succeeded in doing so far is to prevent any increase in the amount of smuggling.

Mr. Mudaliar.—Yes, if you only took into consideration the figures of the last three years. But if you took into consideration the figures of the previous years.....

President.—We have not got them.

Mr. Mudaliar.—Those that are acquainted with the frontier and also the Collector's office thought that about 5,000 Marks used to be imported.

President.—5,000 Marks every month.

Mr. Mudaliar.—Yes.

President.—Are you speaking from your knowledge?

Mr. Mudaliar.—Yes. I have also got certain figures which may not be taken as absolutely correct but anyhow they will give you an indication as to the fact that there have been large imports during previous years.

President.—We should be glad to have any figures that you may have.

Mr. Mudaliar.—These figures I have only collected recently from the Port Office in Pondicherry.—They only show the number of gold thread cases landed in Pondicherry, and they do not show the number of Marks contained in each case. From a study of these figures it can be easily inferred that in the three years previous to 1927-28 the number of cases imported into Pondicherry was nearly double.

Dr. Matthai.—Importers in Madras like Messrs. Peirce Leslie and Company tell us that the amount of gold thread smuggled from Pondicherry represents a little over 20 per cent. of the consumption in the Madras Presidency. Now if it is true that during the last three years even when you have been taking these improved measures against smuggling the total value is roughly about Rs. 9 lakhs, their contention seems to be justified.

Mr. Mudaliar.—I don't agree with them when they say that only 20 per cent. is smuggled through Pondicherry.

President.—Do you think that much more is smuggled?

Mr. Mudaliar.—Yes.

Dr. Matthai.—Do you think that half is smuggled?

Mr. Mudaliar.—No.

President.—They import about Rs. 10 lakhs worth of gold thread.

Mr. Mudaliar.—Yes. Messrs. Peirce Leslie and Company are the biggest importers and they have always been importing on payment of duty about 500 to 2,000 Marks. It was only in one year when it was being smuggled by other people that they attempted to import through Pondicherry. Afterwards they gave it up. My impression is that at least one-third is smuggled.

Dr. Matthai.—Even now?

Mr. Mudaliar.—Yes.

Dr. Matthai.—It used to be much worse.

Mr. Mudaliar.—Yes.

Dr. Matthai.—Before 1925 it must have been at least 50 per cent

Mr. Mudaliar.—My figures show that 23,000 Marks are imported now through Pondicherry. In the previous years it must have been 46,000 Marks.

Dr. Matthai.—Roughly about 50 per cent. used to be smuggled.

Mr. Mudaliar.—Yes. The number of cases imported into Pondicherry will also indicate the same. The number of cases imported into Pondicherry in the three years previous to 1927 was 300 cases in 1924-25, 272 in 1925-26 and 404 in 1926-27 as against 294 in 1927-28, 176 in 1928-29 and 105 in 1929-30.

Mr. Mudaliar.—These figures lead me to think that the quantity must be double. These figures do not include the gold thread marcs imported through the French post offices. We are not able to get any figures for that. That we cannot get.

Dr. Matthai.—Roughly what would be the proportion sent by parcel post?

Mr. Muddaliar.—They say now they get more by post than before and it is very difficult to venture any guess.

Dr. Matthai.—The point that interested us particularly is this. The suggestion has been made that when the duty is increased there is a larger amount of smuggling. That is one of the objections raised to a high duty on gold and silver thread, that whenever you do that you don't really help the industry because it stimulates smuggling. Have you any figures to show what the effect of a low duty on smuggling has been? If you take, for example, a period like 1st week of March 1924 when the duty was 20 per cent.

Mr. Mudaliar.—From 1st March to 18th March, 1924 the duty was reduced as a temporary measure to 15 per cent. At that time 1,377 marcs were cleared on payment of duty out of a total of 3,298 marcs cleared in that year on payment of duty. That is to say the total quantity cleared in the 52 weeks of that year was 3,298 marcs.

Dr. Matthai.—And about one-third of that was cleared in three weeks?

Mr. Mudaliar.—More than one-third.

President.—Supposing I was a dealer in gold thread: how much shall I have to pay to the smuggler?

Mr. Mudaliar.—The rates vary from 5 to 6 rupees a marc.

President.—If we reduced the duty from 30 to 15 per cent., then it would be hardly worth while smuggling?

Mr. Mudaliar.—Smuggling will be considerably reduced. There will still be smuggling carried on to some extent, but that would not give us any alarming figures.

President.—Would the smuggler say “Government have reduced the duty to 15 per cent., I must reduce my charge from Rs. 5 to Rs. 3?”

Mr. Mudaliar.—The smuggler will take less. For instance there are two kinds of smugglers. Most of the merchants demand a deposit equal to the value of the marcs entrusted to the smuggler. In that case the amount varies from Rs. 5 to Rs. 6. But there are some smugglers who have got some local reputation and who are rich people engaged in smuggling. In their case they don't deposit any money with the smuggler and the commission given to them is one or two rupees less. In any case even though the duty is reduced to 15 per cent. there will be smuggling.

President.—So, to get rid of the smuggling altogether we shall have to reduce the duty to 7½ per cent.?

Mr. Mudaliar.—Yes.

President.—Is that your personal opinion?

Mr. Mudaliar.—If it is reduced to 7½ per cent. there will be very little smuggling.

Dr. Matthai.—The total imports into India in 1929-30 was 36 lakhs and the figures that you have given us account for nearly 9 lakhs smuggled from Pondicherry. It is about 1/4th of the imports for the whole of India.

Mr. Mudaliar.—Yes. Gold thread is not smuggled so largely anywhere in India. It is only through Pondicherry.

President.—Does gold thread from Pondicherry go up as far as Bombay?

Mr. Mudaliar.—No. In the years 1923-24 we heard that some gold thread marcs were taken to Benares but to my knowledge no gold thread has been taken to Northern India from Pondicherry.

President. Can you tell us anything about the respective quality of the Indian made gold thread and imported gold thread?

Mr. Mudaliar.—The gold threads imported into Madras are very superior whereas Bombay does not require such superior quality.

President.—You know in Perambur there is a factory. What is the difference between that and the imported gold thread?

Mr. Mudaliar.—Imported gold thread when it is woven in the cloth can be washed without the lace and the silk being separated whereas in the case of gold thread manufactured in Perambur they come out. Further the Perambur thread is used only for female cloths of low quality.

President.—That is the result of bad twisting, is it?

Mr. Mudaliar.—Yes.

President.—On this question of value when an article is woven up with Indian gold thread, have you compared it with an article manufactured from imported gold thread? Can you tell the difference?

Mr. Mudaliar.—Yes.

President.—What about the price? Supposing I buy a sari embroidered with Indian gold thread? Will it be cheaper than one woven with imported gold thread?

Mr. Mudaliar.—Yes.

President.—There are entirely different markets for these, are there?

Mr. Mudaliar.—Indian made gold thread is not used in these districts but only in Madura and Coimbatore.

President.—You have gold there in your pugree. For that purpose will they use Indian gold thread or imported?

Mr. Mudaliar.—Imported gold thread.

President.—Is Indian gold thread used for *saris* only?

Mr. Mudaliar.—Yes.

President.—Are the *saris* not washed?

Mr. Mudaliar.—Those who want to buy *saris* of inferior quality only buy *saris* made with Indian gold thread.

President.—In a sense the markets for these two kinds of gold thread are somewhat distinct, that is to say, the class of people who buy imported gold thread would not buy Indian gold thread. It is only people who cannot afford to buy imported buy Indian gold thread. Is that right?

Mr. Mudaliar.—Yes.

President.—Do these markets overlap very much in this sense, that supposing Indian gold thread is selling at about Rs. 30 and the foreign at Rs. 40: suppose the Indian gold thread is reduced by Rs. 5 a marc, would they sell more of it?

Mr. Mudaliar.—Yes, because there are always the poor people willing to buy cloth which is cheaper.

President.—Will the import of foreign gold thread come down? If Indian thread becomes very cheap, as you say, some poor people who have never bought Indian gold thread will now buy it and therefore the use of it will increase. It is also possible that the people who bought foreign gold thread would continue to buy that?

Mr. Mudaliar.—Yes and they would continue to use it and therefore there isn't likely to be any less consumption. There will always be demand for that.

President.—Therefore the only effect of reduction in the price of gold thread would be to extend its use to the poorer classes.

Mr. Mudaliar.—Yes.

Dr. Matthai.—If the price of imported thread falls, to that extent Indian gold and silver thread will find it difficult to get a market; that is to say if you want to have a market for the Indian gold and silver thread you must raise the price of the foreign article. Roughly what do you think would be the difference in price between foreign and Indian gold and silver thread?

Mr. Mudaliar.—Rs. 10 per marc.

President.—If one were to put up the duty to such an extent as to raise the price of imported gold and silver thread from Rs. 40 to Rs. 45 per marc, do you think that would make any difference to the amount sold?

Mr. Mudaliar.—There will be some reduction in the number of persons who will buy the high priced article.

President.—If you wanted to stop the import of gold thread altogether, what would you put the price of gold thread at?

Mr. Mudaliar.—There will be reduction in sale if you put up the price.

Dr. Matthai.—If you take a *sari* of 7 yards how many marc of gold and silver thread will it require taking the border as 2 inches?

Mr. Mudaliar.—I am not able to say that.

Dr. Matthai.—It looks to me if there is going to be a rise in the price of about Rs. 5 a careful purchaser is likely to think a lot before buying foreign gold and silver thread unless the quality was very strikingly superior. The trouble with regard to Indian gold thread is its twisting but what may be done is that the border will be taken out before the *sari* is washed.

Mr. Mudaliar.—That is not always possible because in the *sari* used in Southern India the border is woven into the cloth and the whole thing has to be washed.

Dr. Matthai.—If you take the gold and silver thread smuggled from Pondicherry do you have anything except real gold thread?

Mr. Mudaliar.—They were importing largely imitation gold thread through Pondicherry on payment of duty. They were never smuggled because the rate of duty is 15 per cent.

Dr. Matthai.—The duty on half imitation is also 15 per cent.?

Mr. Mudaliar.—Yes.

President.—Can you tell me generally how much gold thread embroidery there is on the average sari which a South Indian lady would buy?

Mr. Mudaliar.—Generally Indian ladies buy sari worth Rs. 50 or Rs. 60. On that there will be gold thread worth about Rs. 7 or Rs. 8.

President.—So that a difference of 10 per cent. in the duty would not make a difference of more than a rupee in the sari. If you were to raise the duty by 10 per cent. the result would be that this sari would fetch one rupee more.

Mr. Mudaliar.—That must be so but when the duty is raised the rise in the value of the article is generally more than what the duty involves!

President.—Let us say Rs. 2. A lady buying a sari worth Rs. 60, if she wanted to buy a particular quality she will be prepared to pay Rs. 2 more, won't she?

Mr. Mudaliar.—Yes. Indian ladies must have gold thread sari and they will buy it at even a higher price. It has become a necessity for her.

Dr. Matthai.—There has been a considerable increase in your staff recently, almost double.

Mr. Mudaliar.—We have nearly quadrupled the staff.

Dr. Matthai.—Since when?

Mr. Mudaliar.—Since 1922. Prior to 1922 the average value of the goods ceased in the land frontier was Rs. 10,000 a year. Now the average is over a lakh of rupees. Last year it was Rs. 1,10,000.

Dr. Matthai.—What is the total strength of the Customs staff on the Pondicherry frontier?

Mr. Mudaliar.—We have about 90 officers and we have got a very large number of peons— all included about 440 men.

Dr. Matthai.—What was it before?

Mr. Mudaliar.—About 120.

Dr. Matthai.—There has been some change in the Land Customs Act.

Mr. Mudaliar.—Yes. The change was that previously we used to seize the goods and let the accused go. We never used to arrest him and impose any penalty. Now we can arrest the accused and impose a penalty. But one great drawback in the present Act is that we impose a penalty and the man doesn't pay the penalty. We have to write it off unless we come to know that the man has got some landed property or moveable property in which case we write to the District Magistrate to recover the penalty. Very often we have not able to recover the penalty.

Dr. Matthai.—It has not been very effective.

Mr. Mudaliar.—No.

President.—Do you know anything about the manufacture of gold thread in India apart from the Perambur factory?

Mr. Mudaliar.—From Surat a large quantity is imported into the Madura market. It doesn't come to these parts. Coimbatore and Madura get it. Once I saw a very large quantity imported from Surat to Coimbatore.

President.—Have you seen it?

Mr. Mudaliar.—Yes.

President.—Is the quality of Surat thread better?

Mr. Mudaliar.—It is not.

President.—Is it worse?

Mr. Mudaliar.—I can't compare. It is not better than the foreign thread.

President.—Does it resemble the thread manufactured at Perambur?

Mr. Mudaliar.—Yes. I don't think they manufacture much in Perambur.

President.—Does it fetch the same price as the Perambur thread?

Mr. Mudaliar.—I don't know.

Dr. Matthai.—They don't manufacture any thread now.

Mr. Mudaliar.—I have not seen anything of their thread.

Dr. Matthai.—I see from the figures that the imports into Madras in 1920-21 amounted to Rs. 36 lakhs. In 1921-22 it was Rs. 4 lakhs. In 1923-24 it was Rs. 2 lakhs. I suppose that has a good deal to do with smuggling.

Mr. Mudaliar.—Yes. In those years smuggling was largely in vogue in the Pondicherry frontier.

President.—There is an entry in the Customs Returns, Lametta. That is gold wire flattened.

Mr. Mudaliar.—It is not gold wire.

Dr. Matthai.—It is wire flattened.

Mr. Mudaliar.—Yes. Muhammadan children wear a sort of lace. It is made of brass.

Dr. Matthai.—Do you mean it is base metal?

Mr. Mudaliar.—Yes. They will be made of brass metal, but it has got its shining.

President.—Lametta is imitation gold thread.

Mr. Mudaliar.—Yes. It is classified for tariff purposes along with imitation gold thread.

President.—So far as the Customs is concerned, it is imitation gold thread.

Mr. Mudaliar.—Yes. It is not imported into Pondicherry, because the rate of duty is 15 per cent. They are imported directly into Madras. I have not come across one instance where lametta has been imported into Pondicherry.

Dr. Matthai.—Lametta is distinct from imitation thread. Lametta would be wound on cotton thread.

Mr. Mudaliar.—No. It is not wound on cotton thread.

Dr. Matthai.—But the lametta which is shown in the Trade Returns must be simply a flattened base metal without the thread.

Mr. Mudaliar.—Yes.

Dr. Matthai.—Would you for example for customs purposes call all imitation "Lametta"?

Mr. Mudaliar.—No.

Dr. Matthai.—There must be some difference.

Mr. Mudaliar.—Yes. Imitation thread looks like gold gilt silver thread, whereas lametta look like flattened wire.

Dr. Matthai.—It is used without being wound on thread at all.

Mr. Mudaliar.—You can stitch it on to the cloth directly.

President.—Where does the imitation gold thread come in?

Mr. Mudaliar.—Formerly they use to group it along with real gold thread.

Dr. Matthai.—It is grouped with something else.

Mr. Mudaliar.—Gold thread in previous years was included along with imitation gold thread.

Dr. Matthai.—What is the tariff entry under which you classify imitation?

Mr. Mudaliar.—In the tariff it is classified along with half fine imitation gold thread.

Dr. Matthai.—There is no reference in the tariff schedule to imitation gold and silver thread and probably it is classified under other articles. All bear 15 per cent.

Mr. Mudaliar.—I shall look into the tariff schedule and give a definite answer.

Dr. Matthai.—You have no experience of other French ports in Southern India.

Mr. Mudaliar.—Yes.

Dr. Matthai.—Karaikal.

Mr. Mudaliar.—No.

Dr. Matthai.—Is there much smuggling from Karaikal? Have you any information?

Mr. Mudaliar.—Gold thread is generally imported into Pondicherry a portion of which is taken by sea into Karaikal and there smuggled or a portion of which is taken free of duty from Pondicherry to Karaikal under a permit system.

Dr. Matthai.—There is a permit system.

Mr. Mudaliar.—Yes, recently the Government of India sanctioned a permit system under which goods can be transported from Pondicherry to Karaikal and *vice versa* free of duty.

Dr. Matthai.—That system won't allow much smuggling.

Mr. Mudaliar.—Gold thread smuggling at Karaikal is not much. I wired yesterday for figures showing the seizures at Karaikal. It might come to-day.

Dr. Matthai.—I suppose your own impression is that with these improved measures that you are taking, it would be possible hereafter to reduce the amount of smuggling in spite of the high duty.

Mr. Mudaliar.—That can't be assured.

Dr. Matthai.—There is no assurance about it.

Mr. Mudaliar.—No. Prevention can be done successfully only by confiscation of the articles seized and not merely by the patrols of the preventive staff in the frontier border. We must be going on ceasing goods. If we keep up this, then only we will be able to put down smuggling to a certain extent. Combined with this work there should be efforts on the part of the agents of gold thread in Madras to see that as small a quantity as possible is imported through Pondicherry.

Dr. Matthai.—Is there much smuggling from Pondicherry in respect of other articles?

Mr. Mudaliar.—Yes.

Dr. Matthai.—I suppose gold and silver thread lends itself specially to smuggling.

Mr. Mudaliar.—The next article is saccharine and the next one is diamonds. These are the three articles which are largely smuggled through Pondicherry. Practically the smuggling of other articles has been put down. There is not much to be afraid of about other articles.

Director of Industries, Bombay.

A.—WRITTEN.

- (1) *Letter No. 600, dated the 31st July, 1930, from the Secretary, Tariff Board.*

Your D. O. No. I. B. 140—4373, dated the 29th July 1930.

Many thanks for the information. What the Board would very much like now, if you will be so good as to have it done, is the following:—

- (1) to have the costs given in your note tabulated according to Form II in our questionnaire, taking the unit as an ounce instead of a reel;
- (2) to give the fixed capital expenditure in each case, i.e., the cost of land and buildings and machinery. If the shop is rented the rent would be shown in Works Costs under "Miscellaneous";
- (3) to state the rate of depreciation suitable to these classes of machinery;
- (4) to state the actual output and total capacity in each case.

I believe your Engineer is going to Surat to-morrow or this evening so I am taking the liberty of sending this marked "Urgent" as the Board is very anxious to get these figures as early as possible.

I am sending also the rough note prepared by your Engineer we should be glad to have these back to-day, if possible, if you can make copies.

- (2) *Letter No. I. B. 140—4467, dated the 2nd August, 1930, from the Director of Industries, Bombay.*

I will refer to your D. O. letter No. 600, dated the 31st July. I send herewith the statement desired by you. I trust it gives the information required by the Board.

नमोऽस्तु ते

Enclosure.

A summarised statement of answers according to the list of questionnaires Form II of the Tariff Board inquiry on the Gold and Silver Thread Industry as carried in Bombay.

From the rough notes made during this department's inquiries on this industry. Bombay does not manufacture Gold thread of the fineness of 1,200 yards/ounce weight. The usual sizes sold locally are from 300 yards to 600 yards/ounce, maximum is 800 yards per ounce.

This statement is made for different qualities and sizes of Gold thread using silk and cotton yarns of different counts. It is not possible to ascertain four years manufacturing costs, both merchants and petty contractors were very suspicious of such inquiries. Figures given are only for 1929-30.

COST PRICE OF SILVER AND GOLD THREAD MANUFACTURE IN BOMBAY.

Questionnaires as per Form II.	Rangilal Motiram Jariwala.				Jannadas Jaikishandas Jariwala.				Hajoo Mohammed Jameel Jariwala.				Chanki, Kanori, Salma Sadi, Badla, etc. (2 tolas gold/150 tolas pure silver 99.9%).			
	Goldplated (silver) thread 1 1/2 gold, 400 yds/oz. with silk yarn.		Goldplated (silver) thread 3% gold, 400 yds/oz. with silk yarn.		Silver thread 99.9% pure with silk yarn 400 yds/oz.		Goldplated (silver) thread 3% with 300 yds. silk yarn.		Gold gilded (silver) thread electrically plated on the finished silver thread.							
	Weight in tolas.	Cost in annas.	Weight in tolas.	Cost in annas.	Weight in tolas.	Cost in annas.	Weight in tolas.	Cost in annas.	Weight in tolas.	Cost in annas.	Weight in tolas.	Cost in annas.	Weight in tolas.	Cost in annas.	Weight in tolas.	Cost in annas.
1	1.50	11.85	1.63	12.20	1.66	12.50	1.39	10.48	1.39	10.48	2.525	18.86	...	...	...	...
2	1.06	5.70	0.825	4.08	0.836	4.17	1.16	5.62	1.16	5.62	...	...	...	...	...	...
3	Negligible		Negligible		Negligible		Negligible		Negligible		Negligible		Negligible		Negligible	
4(a)	...	3.70	...	3.92	...	2.40	...	3.35	...	2.00	...	1.46	...	...	...	...
(b)	...	3.50	...	2.60	...	2.65	...	2.24	...	2.24	...	2.14	...	...	...	...
(c)	Hot gold plated.	8.38	Hot gold plated.	17.10	...	..	Hot gold plated.	14.60	Gold gilded	4.00	Cost of making by hand, hot gold plating.	11.60	...	...	...	...

(d) Losses in manufacture.	..	25	..	27	..	27	..	22	..	22	..	..
(e) 5	..	115	..	56	..	86	..	45	..	45	..	86
6. This includes Int. Dep. & Repairs.	..	80	..	80	..	60	..	68	..	..	..	..
7	..	40	..	45	..	35	..	37	..	..	..	..
No information could be obtained under this head.												
8. Shop rent	..	70	..	75	..	50	..	64	..	64	..	64
Total costs	..	3847	..	4273	..	2431	..	3868	..	2568	..	3556
Cost/Tola	..	1457	..	1457	..	965	..	1530	..	1020	..	1420
Total weight of thread taken for calculation Tolas.	10360		230		150	270			270		150	
Price of silver 100 tolas Rs.	4500		Rs. 47		Rs. 47	Rs. 47			Rs. 47		..	
Price of Gold Total Rs.	2188		Rs. 2188		..	Rs. 2188			..		..
Maximum output of machine Tolas/day.	300000		4500		Work all done by hand-worked spinning and reeling machine contracted at fixed rates for different process.							
Present output machine Tolas/day.	131500		30/2500									
Cost of installation	975		1950									
Capital charges 5% Interest 14% Depreciation Rupees annually.	185		210		No power machinery is employed for this. All work done by hand tools and crude turning wheels.							

Prices previous to 1929-30 would be governed by prices of silver and gold ruling during these years.

(3) *Letter No. 608, dated the 1st August, 1930, from the Secretary, Tariff Board.*

GOLD AND SILVER THREAD.

As you have shown yourself so very ready to help can you do one more thing? The Board would like to have a statement showing the prices obtained by, say, three big merchants—either wholesale or retail—for Surat thread in the last ten years. I know you object to the comprehensive term "Surat thread"; but so long as it is thread made at Surat and in each year is of the same quality that will suffice for purpose of comparison. Perhaps it would be best to give the statement with reference to two or three qualities.

(4) *Letter No. I. B. 140—4484, dated the 4th August, 1930, from the Director of Industries, Bombay.*

Subject—GOLD AND SILVER THREAD.

This has reference to your D. O. letter No. 608, dated the 1st instant. It is quite impossible to get merchants to give the prices of gold thread for any more than one year. 1930 prices have been obtained and prices for three previous years have been calculated from prices of silver ruling in those years. I trust the statement sent herewith will meet the requirements of the Board.

Enclosure.

SURAT MADE GOLD THREADS.

Prices ruling in Bombay obtained from merchants of Bhuleshwar and Bhendy Bazar.

Price in annas per tola weight for the following years.

	1930.	1929.	1928.	1927.
Silver 100 tola.	47	65	60	68
Name of article.				

Ruling prices in market—Calculated from prices of silver.

HOT GOLDPLATED SILVER THREAD.

3 per cent. Gold leaf to silver.

250/300 yds. per ounce of cotton yarn	16-00	18-90	18-08	19-36
800 yds. per ounce of cotton yarn	20-00	22-90	22-08	23-36
1,200 yds. per ounce of cotton yarn	28-00	30-80	30-08	31-36

2 per cent. Gold leaf to silver.

250/300 yds. per ounce cotton yarn	14-00	16-90	16-08	17-36
250/300 yds. per ounce silk	16-00	18-90	18-08	19-36
800 yds. per ounce silk	17-50	20-40	19-58	20-86
1,000 yds. per ounce silk	18-00	20-90	20-08	21-36

Gilted (electrically) silver thread.

250/300 yds. cotton	9-75	12-65	11-83	13-11
400 yds. cotton	10-00	12-90	12-08	13-36
800/1,000 yds. cotton	12-40	15-30	14-48	15-76

Price in annas per tola weight for the following years.

	Silver 100 tola.	47	65	60	68
Name of article.	1930.	1929.	1928.	1927.	

Ruling prices in market—Calculated from prices of silver.

Silver thread.

250/300 yds. per ounce cotton . . .	10-00	12-90	12-08	13-36
1,200 yds. per ounce cotton . . .	14-00	16-90	16-08	17-36
1,200 yds. per ounce cotton . . .	16-00	18-90	18-08	19-36
1,000 yds. Silver Wire . . .	8-64	11-54	10-72	12-00
Gold leaf, plated, 2 per cent. gold leaf . . .	16-00	18-90	18-08	19-36
Badla-Kangri, etc., 1½ per cent. gold leaf . . .	17-00	19-90	19-08	20-36
Badla-Kengri, etc., 1½ per cent. gold leaf . . .	18-00	20-90	20-08	21-36

Gold (electrically) gilded.

Badla-Salma, etc.	12-72	15-62	14-80	16-03
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(5) Letter No. I. B. 140—4991, dated the 3rd September, 1930, from the Director of Industries, Bombay.

I have the honour to refer to your letter No. 698, dated the 20th August, 1930, addressed to the Secretary to Government, General Department, and to state as under :—

2. I forward herewith my replies to the questionnaire left with me by you personally a few days back. The information given should be taken as approximately correct, as no exact records are available.

3. I attach hereto a statement showing comparative prices of locally made gold thread and imported gold thread, both real, half fine and imitation. From this statement it will be seen that the prices of the imported real gold thread are relatively higher than prices of similar locally made thread. In spite of this, a certain amount of real gold thread is still imported into the country.

The imports of gold thread and lametta into India in the year 1928-29 were as follows :—

	Gold thread.	Lametta.
	Rs.	Rs.
	in lakhs.	in lakhs.
Bombay	12-00	7-27
Karachi	3-45	76
Madras	16-50	1-65
Calcutta	1-34	82
Rangoon	06	...
TOTAL	33-35	10-50

The Customs authorities, Bombay and Karachi, have informed me that they do not keep separate figures for fabrics, real gold thread, half fine and imitation gold thread. I have made private inquiries from some of the local importers who have informed me that so far as Bombay is concerned of the total imports of gold thread about 17 per cent. in value may be put down as fabrics, about 35 per cent. in value may be put down as real gold thread, about 30 per cent. in value half fine and about 18 per cent. in value imitation gold thread. If this division is to be accepted for the whole country, then it may be assumed that approximately Rs. 12 lakhs worth of real gold thread is still imported into India. This is so in spite of the fact that the prices of the imported gold thread are higher than prices of the local commodity.

There are several reasons why foreign thread is preferred in some cases. Some of these are better finish and faster colour of the thread used. These difficulties could be got over. But I would suggest that prejudice has also a good deal to do in the matter. If it is so arranged that the prices of the imported thread are made still higher it is probable that the imports of real gold thread will be reduced and the Indian industry would benefit to that extent. The increase in duty on the real gold thread is not likely to be reflected much in the increase in the prices of the Indian thread. Bulk of the Indian demand for real gold thread is now supplied by the Indian industry and the prices of the Indian commodity are chiefly determined by the internal competition. While, therefore, the proposed increase in duty may help the local industry by enabling it to supply a further demand now fulfilled by the imported article, price of the local commodity is not likely to increase for the consumer. Such users who in spite of the increased price of the imported article still prefer same will be of that class of public who can afford to pay. I accordingly suggest that the duty which is at present equivalent to 38 per cent. may be increased to 50 per cent.

4. From the statement of prices attached hereto, it will be seen that the price of half fine thread 1,200 yards to the ounce is 6.2 annas per tola. This thread in many cases takes the place of real gold thread 2,500 yards to the ounce, cheapest quality of which is priced at 16 annas per tola (Surat made). To the weaver who uses these two threads the equivalent prices for same lengths of thread are about 8 annas for the real thread and 6.2 annas for the half fine. The weaver, therefore, in many cases prefers half fine. At present in Bombay alone something like Rs. 3 lakhs worth of half fine gold thread is reported to be imported. The rest of the country may account for say another Rs. 7 lakhs of this type of thread. I suggest that import duty on half fine thread may be increased from the present 15 per cent. to 50 per cent. If the whole of this duty is reflected in the increased price of half fine thread it will become about 8.1 annas per tola. The price of the Surat thread which will continue to be determined by internal competition is not likely to go beyond its present price which is 8 annas as pointed above for the same length of thread. The difference in price between the real thread and half fine will thus be wiped out and there will be no inducement for the weaver to use this thread. It is, therefore, likely that the demand for the real thread will be increased. As mentioned above, Rs. 10 lakhs in value half fine gold thread is probably now imported into India. If this were wholly replaced by local real gold thread, the value of increased demand for the local real gold thread will be about Rs. 18 lakhs, which is an appreciable increase in the total demand.

The purchasing of real gold thread article instead of half fine cannot be called a hardship on the consumer, because whereas in the case of real thread he gets value inasmuch as he can sell the real gold thread article after use, he cannot do the same with the half fine thread article. The increased price of the half fine imported thread may also enable establishment of one or more factories for the manufacture of such thread in India. I also think that from the administrative point of view it will be preferable to have the same duty for all classes of gold thread imported. For this reason I would suggest that the duty on the imitation thread should also be put at 50 per cent. The proposed increase in duty on imitation thread would cause an extremely small increase in the total value of the finished articles in which this type of thread is used.

Under the arrangement suggested above, the duty on all classes of gold thread imported into the country would be at the same level, viz., 50 per cent. *ad valorem*.

5. The Central Government under this arrangement is likely to get increased revenue. to start with from imports and ultimately as the local industry further develops from increased income-tax. Part of this increased revenue should in my opinion be assigned to the provinces concerned for expenditure on the improvements in the technique and organisation of the industry. The industry at present is organised on small factory scale and on

cottage basis. There are no sufficiently big factories to undertake improvements and research. If, therefore, money were made available the Industries Department would undertake investigation of fast dyes in connection with thread used, improvements in the mechanical processes used and also help in the organisation for publicity and securing market, etc.

6. I have expressed opinions and made statements above in my personal capacity.

Enclosure.

Points for examination of Director of Industries.

Q. 1.—Position of gold thread industry before the war. Production, number of factories and workmen employed at Surat and range of prices of Indian gold thread if possible.

A.—In Surat some 25 years back there were about 2,000 artisans employed in making gold thread by hand. Subsequently, imported gold thread which was at this time cheaper and had better finish began to take the place of the local article. Result of this was that about 16 years ago there were hardly about 25 artisans engaged in the gold thread industry at Surat. Similar was the case in Ahmedabad and Poona, etc.

Prior to 1916, the manufacture of gold thread was carried on by hand at Surat and the industry had lost ground almost entirely to the imported article. In the war time imports became somewhat restricted and consequently in 1916 the manufacture of this thread according to the French process on small factory scale was started by the Gauri Gold and Silver Works Co., who were followed by several others in subsequent years. The value of gold thread produced in 1919 was about Rs. 5,00,000. Price of local gold thread in 1916 in Surat was Rs. 0-15-3 per tola. The similar imported thread was sold for Re. 1 per tola. Price of imported lametta in the same period was Re. 1 per tola; the locally made lametta was unable to compete.

Q. 2.—Extent to which half fine imitation had replaced or was replacing Indian real gold thread before the war.

A.—No definite information is available. It is stated, however, that prior to 1916 before thread began to be manufactured in Surat according to the French Process on small factory lines, the foreign thread had captured the market to the extent of 90 per cent.

Q. 2 (a).—Position of the industry in 1920-21 before the introduction of 30 per cent. duty.

A.—As mentioned previously, by 1919, the newly started factories in Surat were producing on an average about Rs. 5 lakhs worth of gold thread per year. Then came a temporary lull in the industry. Foreign imports for various causes went up in 1920-21 to Rs. 29.45 lakhs in Bombay, Rs. 3.2 lakhs in Karachi, Rs. 3.38 lakhs in Bengal, Rs. 36.47 lakhs in Madras and Rs. 7 thousand in Burma, making a total of Rs. 72.52 lakhs as against a total of Rs. 33.35 lakhs in the year 1928-29.

In 1922-23 the duty became 30 per cent. *ad valorem* and gradually the number of factories increased in Surat and it is estimated that the production in Surat in 1922-24 was of the value of Rs. 25 lakhs per year, the number of men employed increased to 2,500 and there were at this time about 70 factories in operation, and the capital invested was about Rs. 12.5 lakhs.

In 1924-25 owing to trade depression, production went down to about Rs. 20 lakhs, the number of men employed were 2,000, factories actually operating were 60 and capital invested in the trade was about Rs. 10 lakhs.

Q. 3.—Present position of industry at Surat. Number of factories, workmen employed, value of output and if possible capital invested.

A.—The present position of the Surat industry is very critical. The production may be taken as approximately 20 per cent. of what it was a few months ago. The gold thread industry is closely allied to other industries

which manufacture articles from gold thread—purls, spangles, etc. These allied industries together with the gold thread manufacturing factories are enumerated here below:—

	Number of men employed.
6 large factories for drawing silver wire from the silver bar worked by machinery.	180
12 to 15 small factories for drawing fine silver wire by machinery.	300
500 to 600 spinning and wire flattening factories containing approximately 1,200 spinning machines for spinning silver thread.	8,000
The old method of gold leaf plating, viz., Pasatanias and Tanias for drawing fine wire by hand work.	3,000
Gold gilding factories for gilding silver wire and silver thread and for making these into hanks and packing same for export.	1,200
Workmen employed in manufacturing purls, spangles, salma, chalak, kangri, with hand work appliances.	1,000
Merchants, clerks, coolies, etc . . .	800
Silk dyeing and reeling factories, for making yarn for the silver thread.	60
Lace manufacturing factories for making all kinds of laces with the help of tappet looms.	5,000
Cottage workers for making laces either with use of crochet needle or the straight needle.	500
Benares weavers of gold thread cloth . . .	2,500
Workers who make embroidery work on silk, cotton and velvet cloth.	2,000
Total number of persons employed . . .	19,000

Surat Electric Supply Co. has connected 412 gold thread factories to its mains. Total H.P. of motors in these factories is 1294 including 182 H.P. at present disconnected.

The value of output is based on the total consumption of silver bars and imported silver wire from Benares *plus* labour. This would total about Rs. 110 lakhs annually.

Referring to the capital invested for machinery in this industry, following are given as approximate figures:

	Rs.
Large wire factories	36,000
Fine wire factories	24,000
1,600 wire flattening and spinning machines	280,000
5,000 lace looms with foot tappet	50,000
150 flat gold tape looms	12,800
200 gold braiding and saree border looms	12,000
20 braiding machines	2,500
Total cost	417,300

Regarding the question of total capital in the whole industry, I assume this figure to be 55 to 60 lakhs of rupees. The system of sales is such that long term credits are given and it takes about 6 months for the manufacturer to receive the value of goods supplied. As a result of this, comparatively large capital is required as running capital.

Q. 4.—The trade returns show no very large reduction of imports of real gold thread. If as has been stated value of thread produced at Surat now exceeds 1 crore annually to what reason does the Director of Industries attribute increase? Possible reasons are—

- (1) Reduction in cost resulting from adoption of European machinery and electric gilding process about 1920, enabling the industry to capture in part the market previously supplied by half fine imitation gold thread imported: also fall in price of silver.
- (2) Improvements in designs and patterns of weavers of finished articles resulting in
 - (a) increased demand in home market,
 - (b) increased export to Ceylon, Malaya, East Africa and generally abroad.
- (3) Increase in general prosperity of the country and standard of living resulting in increased demand.

A.—So far as Surat is concerned, the industry was started with European style machines in about 1916. Gradually the production there has increased till in 1919 its value was about Rs. 5 lakhs and 1923 it was about Rs. 25 lakhs. It is estimated that before the present depression the production was about Rs. 1 crore in value. Out of this about Rs. 50 lakhs may be considered to be the value of wire from which such items as purls, Katori, etc., are made. The balance of Rs. 50 to Rs. 60 lakhs may be taken to be the value of real gold thread. It may be noted that the former articles are not imported to any appreciable extent. All the causes suggested by the Board must have, there is little doubt, contributed to the increase in production. Adoption of European machinery, reduction in wages and internal competition, fall in price of silver, etc., have all contributed to the reduction in price of Surat thread. The import duty (of 38 per cent.) on the foreign product has on the other hand raised its price. Surat thread has, therefore, to considerable extent displaced the imported real gold thread.

Imports in Madras and Bombay have decreased since 1916, the year of starting the industry at Surat on factory lines as follows:—

Imports.

1916-17.		1928-29	
Bombay.	Madras.	Bombay.	Madras.
Rs. 15.09 lakhs.	Rs. 30 lakhs.	Rs. 12 lakhs.	Rs. 16.5 lakhs.

It may be assumed that Surat supplies part at any rate of the market formerly supplied by imports.

It will be noted from the above, however, that a comparatively small part of the increased production is accounted for by the reduction in imports. Bulk of the increased production is taken up by the increased demand (due to increased population, reduced price of gold thread, higher standard of living, etc.) for articles in which gold thread is used. For instance, production of handlooms in India has increased from about 1,184 million yards in 1914-15 to about 1891.2 million yards in 1927-28. The staple cloth woven is sari cloth and in many series gold thread is used. So that this source of increased consumption also accounts for the increased production.

Prices of Real Gold and Silver Thread. Half fine gold thread and Imitation gold thread ruling during the middle part of 1901.
Prices shown are in annas per tola weight.

Grades of gold thread Yds. per ounce.	99.9 per cent. Price Silver and Gold leaf plated plus following percentage of Gold leaf to Silver.												99.9 % silver thread and gold gilding.	Half fine gold thread plus 1 1/2 % silver by countries.	Imitation Gold thread by countries.	Remarks.
	2 per cent.			3 per cent.			4 per cent.			5 per cent.						
	Bombay.	Surat.	Benares.	Bombay.	Surat.	Benares.	Bombay.	Surat.	Benares.	Bombay.	Surat.	Benares.				
250 Yards cotton	14.00	13.75	..	15.75	14.25	..	17.75	16.025	..	19.75	17.75	..	0.25	..	1.00	..
400 cotton	15.00	..	..	16.50	..	..	18.50	..	..	20.25	..	..	10.25	..	1.30	..
600 "	16.00	14.75	..	17.00	15.25	..	19.25	17.025	..	20.75	18.50	..	11.25	..	1.50	..
800 silk	17.50	..	..	20.00	..	..	22.00	..	..	23.00	..	..	12.75	16.00	2.50	..
1200 "	..	..	..	..	..	..	..	..	..	..	..	..	18.50	16.00	..	..
2000 "	..	..	..	..	..	..	..	..	..	..	..	..	14.75	19.08	..	..
2500-000 silk	..	..	..	..	..	..	..	..	..	..	..	..	10.00	24.40	..	..
Cheap quality of 2500 yds. ounce which compare with 1200 yds. Half fine.	..	..	..	..	..	..	..	..	..	..	..	..	18.00	24.50	..	..
	..	..	..	..	..	..	..	..	..	..	..	..	20.50	26.30	..	..
	..	..	..	..	..	..	..	..	..	..	..	..	23.80	28.00	..	..
Lametta	..	..	..	..	..	..	..	..	..	..	..	..	20.02	..	..	..
All other sorts such as Kangri Tikli, Tikli, Kasra, etc.	..	..	..	..	..	..	..	..	..	..	..	..	21.70	..	..	..
	..	..	..	..	..	..	..	..	..	..	..	..	24.40	..	..	..
	..	..	..	..	..	..	..	..	..	..	..	..	16.00	..	..	..

Bombay and Surat do not import any silver thread or gold thread from Benares, Surat only imports the manufactured silver wire for making silver thread of 1200 yds. ounce and over.

(6) Letter No. I. B. 140—5089, dated the 9th September, 1930.

In reference to the proposed wording which might be adopted, if it were decided to propose a uniform rate of duty for real gold thread and all its substitutes, I suggest the following:—

“Gold thread and wire (including so-called gold thread and wire and *lametta, spangles, purls, etc.*, mainly made of silver), silver thread and wire, *lametta, spangles, purls, etc.*, used for embroidery, imitation gold or silver thread and wire and *lametta*, irrespective of the quantity of precious metal contained therein, and similar metallic articles such as *spangles, purls, etc.*, used for the ornamentation of woven fabrics.”

The words introduced by me are in italics and the remaining words are those suggested by the Collector of Customs.

(7) Letter No. I. B. 140—5261, dated the 20th September, 1930, from the Director of Industries, Bombay.

I enclose herewith a copy of letter No. E.1186—29/30, dated the 13th September, 1930, from the Director of Industries and Commerce, Mysore, giving cost data for making a marc or imitation and half fine gold thread together with particulars in connection with raw materials used in the manufacture of above articles.

Enclosure.

Copy of letter D. O. No. E.1186—29/30, dated the 13th September, 1930, from C. Ranganatha Rao Sahib, Office of the Director, Bangalore, to P. B. Advani, Esq., M.Sc., Director of Industries, Old Custom House, Bombay.

Reference:—SRI KRISHNA GOLD THREAD FACTORY LTD.

I am in receipt of your D. O. letter No. I. B. 140—5076, dated the 6th September, 1930, asking for some information regarding the manufacture of imitation and half fine gold and silver threads.

The chief materials used in the manufacture of imitation gold thread, are copper wire No. 30 to 36 and Cotton yarn 60s. double. Silvered copper wire No. 35 to 40 and cotton yarns 65s. to 100s. (doubled) are used in the manufacture of half fine gold thread and gold is used in the gilding process. The copper wires used to be obtained either from France or Germany and cotton yarn from England. The average price paid by the Company was Re. 1-6 per lb. of copper wire No. 30 to 36 and Rs. 3-8 per lb. of silvered copper wire No. 35 to 40. The price of cotton yarn obtained from England ranged from Rs. 2-8 to Rs. 4-12 per lb.

The approximate costs of making a marc of imitation and half fine gold thread are shown below:—

<i>Imitation Gold Thread.</i>		<i>Half-fine Gold Thread.</i>	
	Rs. A.		Rs. A.
Copper wire	0 10	Silvered copper wire	1 12
Cotton yarn	0 6	Cotton yarn	0 12
Labour and supervision	0 12	Labour and supervision	1 4
Packing, advertising and stationery	0 4	Gilding cost	1 0
Depreciation and interest	0 6	Depreciation and interest, etc.	0 8
Commission to Sales Agents	0 6	Packing, advertising and Stationery	0 4
		Commission to Sales Agents	0 8
Total	2 12	Total	6 0

The Company were not manufacturing any imitation silver thread.

DIRECTOR OF INDUSTRIES, BOMBAY PRESIDENCY.

B.—ORAL.

(1) Evidence of Mr. P. B. ADVANI, recorded at Bombay on Thursday the 4th September, 1930.

President.—Mr. Advani, you are the Director of Industries, Bombay Presidency?

Mr. Advani.—Yes.

President.—For how long have you been in charge?

Mr. Advani.—A little over two years.

President.—We have received this representation from you in which you suggest that the duty on gold thread should be increased from the present rate of 38 per cent. to 50 per cent.

Mr. Advani.—Yes.

President.—We have not received any application from the Director of Industries, Madras, but we have seen a representation of his in which he recommends that the duty on gold thread should be entirely abolished—a recommendation made before the Textile Advisory Committee. In that connection did you have any reference from the Director of Industries, Madras?

Mr. Advani.—No.

President.—Has he made any enquiries from you as to what classes of thread is manufactured in Surat?

Mr. Advani.—None whatsoever.

President.—There has never been any effort on the part of the Director of Industries, Madras, to obtain your co-operation in the direction of obtaining a better quality of thread, for instance?

Mr. Advani.—No, not to my knowledge.

President.—It appears that so far at any rate the Director of Industries, Madras, has not made any effort to ascertain what class of gold thread is being produced in the Bombay Presidency or whether the abolition of the duty as a whole will adversely affect the industry?

Mr. Advani.—That is the position.

President.—At the commencement of your letter you give the amount of gold thread imported into India at present, according to the trade returns and as regards the Bombay gold thread which is entered in the trade returns as Rs. 12 lakhs you say "I have made private enquiries from some of the local importers who have informed me that so far as Bombay is concerned of the total imports of gold thread about 17 per cent. in value may be put down as fabrics, about 35 per cent. in value may be put down as real gold thread, about 30 per cent. in value half fine and about 18 per cent. in value imitation gold thread." So that so far as real gold thread is concerned that is only 35 per cent., that is about Rs. 4 lakhs a year?

Mr. Advani.—Yes.

President.—Our information from the Collector of Customs, Bombay, is that the import of real gold thread has practically ceased and of the total import from 1 to 2 per cent. only represents the import of real gold thread.

Mr. Advani.—That is rather difficult to reconcile with the statement that the trade has made to me. I wrote to the Collector of Customs both here and in Karachi and I got a reply that they did not keep separate returns and therefore they were not able to give me any indication as to what the imports of the various articles were.

President.—At our request the Collector of Customs, Bombay, investigated as far as possible the returns on the subject. I suppose he took the opinion of his Appraisers on the subject and I dare say also of the Chemical Examiner, and this is the result of his enquiries. As regards your estimate of 35 per cent. would the importers who have given you this information be prepared to support it?

Mr. Advani.—I have made sure of that. There is a firm named Chunilal Kunverji and Company and they informed me that their imports of real gold thread would amount to a lakh of rupees. I don't think it is very difficult to get these men either to give in writing or to give evidence before the Tariff Board.

President.—Because there is this conflict between the evidence we have received from the Customs Department and the evidence you have received, I think it will be desirable as far as possible to reconcile it so that we might know exactly what the position is. But in any case whichever view we take, whether that of the Collector of Customs or the statement put forward by the trade, there is no doubt that in the course of the last eight years the import of real gold thread into Bombay has very largely declined.

Mr. Advani.—That is so.

President.—We have been given information by some of the firms which used to import gold thread, such as Messrs. Cresswell and Company, that they have practically discontinued the importation of gold thread and they gave us their figure for last year which came to a very small amount, something like £2,000.

Mr. Advani.—There are two or three firms who specialize in the importation of gold thread. I was under the impression that Cresswells were now concerned more with imitation than real gold thread.

President.—At one time they imported a considerable amount of real gold thread. Grahams Trading Company also used to import gold thread and last year they imported none at all, so that at any rate that is an indication that there has been a large falling off in the imports. What is your information from Messrs. Chunilal Kunverji & Co.? Do they say that they have increased their imports?

Mr. Advani.—They have decreased their imports in real gold thread but that does not tally with the Collector of Customs statement.

Dr. Matthai.—Really the difference of opinion between the Customs authorities and the importers turns on the amount that was actually imported and not on the question whether there has been a decline.

Mr. Advani.—Yes, but there is such a difference in the degree that it is very significant.

President.—I think there is a difference of about 3½ lakhs.

Mr. Advani.—Yes.

Dr. Matthai.—Does that include Karachi too?

Mr. Advani.—No. I wrote to the Collector of Customs, Karachi, and he gave a reply that he does not keep any separate records.

President.—We have asked the Collector of Customs, Karachi, to make investigation on the lines of the Bombay Customs and let us know. I think he will take about a month.

Mr. Advani.—I asked them about four weeks ago and they took a little time to give a reply. I asked them to make special efforts to give me some information.

President.—As regards Karachi you have no information?

Mr. Advani.—No.

President.—Then the position really has not substantially changed so far as I can see. Whichever figure we take the position really is that so far as the North and West of India are concerned, there is practically no competition between Indian gold thread and imported gold thread but as regards the South of India where finer and more costly classes of fabrics

are manufactured, there is a market which at present is practically closed to Indian gold thread because of its quality. That is why the Director of Industries, Madras, has recommended that the duty on gold thread should be removed. Mr. Shastri who has been interested in the gold thread industry for over 15 years informed us that in the various markets in Madras Indian gold thread is not considered suitable because the wire in the process of flattening is elongated to such an extent that it has not the lasting quality of the imported gold thread. Therefore if you are making a sari which costs Rs. 200 or Rs. 250 in which the difference between the Indian gold thread and imported gold thread is Rs. 10 or Rs. 15, it is not considered worth while using the Indian thread. That is the position so far as I can understand it. It really makes very little difference whether they imported into Bombay 2 lakhs or 3 lakhs of thread which is presumably used for the same purpose. It is this special market which is now closed to the Indian industry which will have to be captured by improving the quality of the Indian gold thread.

Mr. Advani.—Yes, and I should also imagine by propaganda.

Dr. Matthai.—May I take it that it is generally admitted that there has been a decline?

Mr. Advani.—Yes.

Dr. Matthai.—May I take it that it is also generally admitted that there has been a corresponding increase in the imports of half fine and imitation because the total values as given for the Bombay Presidency have remained fairly stationary for some years and therefore the decline in the real gold thread has been met by a corresponding increase in half fine and probably imitation?

Mr. Advani.—Yes. The ratios have changed.

Dr. Matthai.—So that as far as the Bombay market is concerned the position now as compared with, say, seven or ten years ago is that while then there was as much competition from real gold as from imitation at present the more dangerous competition comes from the half fine and imitation?

Mr. Advani.—That is so.

President.—We were told in Surat that the competition was with the finer classes of imported gold thread. In fact the coarser classes of imported gold thread have disappeared. The general impression now among the manufacturers seems to be that the cheapest quality of Indian real gold thread was in very close competition with imported half fine.

Mr. Advani.—It is the finer thread which is in competition with half fine that is length for length.

Dr. Matthai.—It is the inferior kind of the finer quality?

Mr. Advani.—That is right.

President.—The thread contains a very much smaller proportion of metal than most gold thread and therefore bulk for bulk it weighs lighter. It does not necessarily follow that because the thread is 2,500 yards to the ounce, it is therefore very thin: the thread may be comparable in size and thickness to the 1,200 yards half fine, the difference being that in the half fine there is more metal and that in the Indian cheap gold thread there is less metal and more silk. That is what I understand to be the position.

Mr. Advani.—That is the thing.

Dr. Matthai.—These prices that you give, on the basis of which you establish that half fine comes in competition with real gold thread, relate to the cheaper kinds of the superior quality Indian gold thread?

Mr. Advani.—That is right.

President.—I will just run through the various points which we discussed with the trade in Surat and we will be glad if you will give us your opinion, whether the conclusions we have arrived at are fairly reasonable. We took the cost of Mr. Nathubhai's special quality gold thread which

though not up to the French standard is superior to most of the classes manufactured and determines the sale price in the market. We first ascertained the defects in this as compared with the French and then what it would cost to remedy that. The first point which we observed was this question of elongation. In the process of flattening in India the wire is elongated to a far greater extent and therefore made much weaker than the French gold thread. If the flattening was carried out by the rolls revolving much slower, it would mean that the wire would not be elongated to the same extent but the expenditure would be increased in other directions. In the first place the proportion of silver would be higher, the resulting lametta being thicker; it will probably have 80 per cent. silver. Then the second point was that in order to get lametta of the same breadth you would have to use much finer wire because the wire would not be drawn out to the same extent. In consequence the cost of drawing would go up. Then the third point was that there would also have to be, in order to maintain the trade proportion of gold to silver, an increase in the amount of gold proportionate to the increase in the amount of silver. Then again, if you have a thicker lametta, in order to produce a thread of the same fineness you would naturally have to have a very much thinner silk, and the thinner the silk the more expensive it is. These are the main results which might be expected from elongating the wire less in order to reach the French flattening process will be required and this will increase the cost. Then battenning process will be required and this will increase the cost. Then we were also told that the silk at present used in the industry is not so regular in surface as the French silk, so that when the lametta is twisted on it it has not the same fineness and finish. Is that correct?

Mr. Advani.—To a limited extent it is correct.

President.—At any rate in order to produce the French quality of gold thread it would be necessary at any rate for the time being to import French thread which will be considerably more expensive than the Kashmere silk.

Mr. Advani.—I am not quite so sure of that. I don't think it will be necessary to import for a long time if necessary improvements are effected.

President.—It was not suggested that improvements could not be effected but that at present until the improvements could be effected, French silk would probably have to be imported, and in any case until the improvements were effected the thread produced would be more expensive than the French gold thread.

Dr. Matthai.—Have you any information as to the relative qualities of Kashmere, China and Mysore silks? The impression that we gathered was that Mysore silk is rather inferior compared with Kashmere and China silk and that on the whole Kashmere is the best. Therefore if they are going to make thread comparable with the French thread it would be necessary to use Kashmere thread.

Mr. Advani.—That is the idea.

President.—The other points on which it is considered that extra expenditure would be necessary are mainly concerned with better supervision and more careful workmanship on the part of the workers in spinning and greater care taken in gilding. The present cost of Mr. Nathubhai's gold thread works out to about Rs. 27-9-0 for 2,000 yards, with these improvements it should work out, without profit, depreciation and so on, to about Rs. 37.

Mr. Advani.—That may be so now, but I do not suppose that it should be for any length of time. If necessary measures are taken to bring about improvements in the processes, mechanical and chemical, now adopted by the industry and also in the matter of training, I think all these three things taken together would reduce the cost of manufacture and bring it down considerably below the figure of Rs. 37.

President.—That is what will eventually happen. As regards the present position we were told that if any of the Surat manufacturers make a special

effort to capture the Madras market unless they can get a price something like this they will not be able to succeed.

Mr. Advani.—Yes.

President.—That is only the works cost. As regards profit and other charges in this cottage industry, it will be difficult to calculate overhead charges and profit on capital cost. For one thing as you know when a person works in his own house you cannot really estimate the cost of building the factory, machinery, etc. So it has been suggested to us that taking the works cost it would not be contrary to the general trade practice to take 10 per cent. on that as representing a fair allowance for overhead charges other than interest on working capital and profit to the manufacturer. Does that seem reasonable?

Mr. Advani.—That seems to me to be reasonable.

President.—It doesn't seem to be excessive?

Mr. Advani.—No.

Dr. Matthai.—That is to say if their costs excluding depreciation come to about Rs. 30 a mark, they suggest that 10 per cent. of that should be added in order to cover profit and depreciation.

Mr. Advani.—And selling charges?

President.—Selling charges are included in the works costs.

Dr. Matthai.—10 per cent. of the cost would be regarded as fairly reasonable according to the trade practice.

Mr. Advani.—10 per cent. seems to be all right.

President.—I was making a calculation yesterday of the figures at which we might arrive as a result of our discussion at Surat with the manufacturers. I have arrived at this conclusion that including postage and selling commission the works cost would come to about Rs. 36-15-0, overhead charges and manufacturers' profit would come to Rs. 3-8-0 and working capital Rs. 14 giving a total of Rs. 41-5 a mark for gold thread of 2,000 yards long. Have you any suggestions to make on these figures?

Mr. Advani.—They seem to be reasonable.

President.—But of course as you were saying just now these figures could be reduced very considerably with better training.

Mr. Advani.—There is considerable scope for improvement in the mechanical and chemical processes used in the industry and in its organisation, and its financing and selling arrangements.

President.—Could you give us any idea as to the possibility of reduction taking this figure of Rs. 41-5-0 for the gold thread of French quality?

Mr. Advani.—It is rather difficult to say offhand what reduction would be possible.

President.—My feeling about it is this: until the Industries Department had really taken up these various processes and made its own investigations and recommendations for improvement, it would be premature really to attempt to set down any figures as to the extent to which reductions could be made. But I think it would be safe to assume from what I have heard from the present manufacturers that a very substantial reduction on these figures could be made in the course of the next ten years.

Mr. Advani.—That is my view. I would even put it at less if money was available to go into the matter forthwith.

President.—That is to say if money were available to the Industries Department?

Mr. Advani.—Yes. I am quite convinced that there is very considerable scope for reduction all round.

President.—Of course this question of period is of some importance in this enquiry, because we have to consider for what period protection is necessary.

Mr. Advani.—I would put it down as 10 years.

President.—My feeling is that so far as the Industries Department is concerned it will not be safe to expect the full effect of the protective duty under 10 years.

Mr. Advani.—Yes.

President.—After all the present revenue duty has acted more or less as a protective duty and although considerable progress has been made in the last 8 years, very great improvements have yet to be accomplished.

Mr. Advani.—Yes.

President.—So far as your department is concerned, you would recommend 10 years?

Mr. Advani.—Yes.

President.—We have been looking at the effect of any increase in the present duty on consumers and other industries using gold thread. We obtained from Messrs. Peirce Leslie and Company who wrote to their various dealers in Madras as they were themselves not in a position to give information and ascertained what would be the most common gold thread woven articles in use in Madras, the proportion of gold thread used, and the value of the gold thread used. Of the articles in common use the 9 yards gold thread sari which is made at Salem, the value of which is Rs. 160 may be taken as typical. The amount of gold thread used is one mark and the value of the thread is Rs. 30 to Rs. 40. If the duty was increased from 38 per cent. to 50 per cent., that would mean an increase in the cost of the sari of about Rs. 3. Generally on all these articles in common use it seems to me the raising of the duty from 38 per cent. to 50 per cent. would imply an increase in the cost of roughly 3 per cent.

Mr. Advani.—I have obtained some figures locally.

Dr. Matthai.—That would be very interesting.

Mr. Advani.—We have got here for instance 9 yards length sari costing Rs. 150. In that about Rs. 32 worth of gold thread is used. If you increase that by further 12 per cent. that will mean an increase of about Rs. 3 in the cost of the sari or about 2 per cent. on the total cost of sari. For 5 yards sari costing Rs. 100, the value of the gold thread used is Rs. 25. If the duty is increased on the imported thread, it is however not likely to be reflected in the price of local thread.

President.—I was just now dealing with the Madras market and only with the imported gold thread. It would mean a consumer of imported gold thread would have to pay Rs. 8.

Dr. Matthai.—Assuming that he decided not to give up the preference for the imported thread.

Mr. Advani.—Yes.

President.—It doesn't seem to me a heavy burden.

Mr. Advani.—No. For a person who is prepared to spend Rs. 100 to Rs. 150 per sari, an increase of Rs. 8 would not be much.

President.—In the north and west of India, that is to say in the markets other than Southern India at present practically all Indian gold thread is used. The price is determined so far as we have been able to ascertain entirely by internal competition.

Mr. Advani.—Yes.

President.—Practically we might say in more than 3/4ths of India an increase in the duty from 38 to 50 per cent. won't affect the consumer at all.

Mr. Advani.—No.

President.—At any rate the consumer of Indian thread articles would not be affected.

Mr. Advani.—Quite so.

President.—The effect of any increase in the duty is very slight and in dealing with a luxury article of this nature, we feel we have greater latitude than would perhaps be admissible in the case of other industries.

Mr. Advani.—Yes.

Dr. Matthai.—As far as the consumers aspect of the question is concerned, I think it is fairly clear on these figures that that at any rate doesn't present any difficulty.

Mr. Advani.—That is my feeling.

President.—As the price of imitation gold thread is so low and the amount used at any rate by the poorer classes in their garments is so small, I think the burden will not be very great.

Mr. Advani.—That is so. There is this point. Half fine gold thread is used in fabrics. When that fabric is worn out, the thread has no secondhand value, whereas in the case of a fabric containing real gold thread, even if the garment is worn out, the thread is sold for the value of the silver in it. Supposing real gold thread of cheap variety were to take the place of half fine, its final selling value should be deducted from the initial price for comparison purposes with the half fine thread.

Dr. Matthai.—The point is this: suppose as a result of an increase in the duty on half fine imitation, some people are compelled to use inferior real Indian gold thread. That means as a result of the duty, they increase their expenditure.

Mr. Advani.—They do.

Dr. Matthai.—But as a matter of fact that increase is not a real increase, because you ought to take into account the credit that they get corresponding to the amount of silver content in the real gold thread. That is the position?

Mr. Advani.—That is so.

Dr. Matthai.—So that the increase is not a real increase?

Mr. Advani.—No.

President.—Your point there is that the increase in duty on half fine imitation would bring home to the consumer the real value of gold thread, a point which he very often doesn't realise at present?

Mr. Advani.—It is not the consumer who has the selection. It is the weaver who makes the selection. He naturally gets hold of the cheapest kind of gold thread he can put for any particular fabric. The average consumer wants a nice looking fabric and gives little thought to the resale value of the fabric when it is worn out. He realises this when he comes to sell it.

President.—Half fine imitation is passed off in the market as gold thread.

Mr. Advani.—If not deliberately, at least by implication.

President.—The consumer looks at the finished article and he doesn't ask whether the gold thread is hot plated or electroplated or half fine imitation. He simply buys because he likes the general effect.

Mr. Advani.—There are two classes of people: The lower middle classes and the upper middle classes. The latter may buy cheap fabric for temporary use. When I say 'temporary use', I mean ordinary use. They don't want that fabric to last long. They may not be interested in getting the resale value back. The other section would be interested.

President.—As regards the directions in which your department can assist the gold thread industry, the two most noticeable ones which came before us are these: first of all there is the question of dyeing which appears to be defective. They don't stand the chemicals in the gilding process. In that direction you will probably be able to effect some fairly rapid improvement.

Mr. Advani.—I think there are several directions in which assistance could be given. For instance you yourself mentioned to me when you were going over the kinds of thread made at Surat about the breadth of the lametta, thickness of the lametta and so on. As regards the drawing of the thread, at present much of it is done by hand and there of course machinery can with advantage be introduced. As you say there is the question of dyeing. There is also the question of drawing and gilding thread.

The thread is at present straight away wound after it emerges from the gilding process which is not a good thing for the thread. That gives rise to discolouration and so on. There are a number of points which really require attention. What will probably be necessary is the establishment of a Trade School at Surat. At the present time you have got in Surat roughly 10,000 people engaged in the trade exclusive of weavers, dyers and so on—I mean 10,000 people who are directly interested in the gold thread industry as distinct from others interested in the making of fabrics, laces and so on. At least 5 per cent. of these people should be skilled to conduct the various operations. That gives you 500 people. If you take 5 per cent. of that, you can easily get a regular flow of about 25 people to be trained. Such a school might act as a training ground and then it would also carry out research and experimental work both on the mechanical side as well as on the chemical side and electrical side. It would also serve the purpose of standardising the lametta, thread, percentage of precious metal content, and so on. Then it could also bring into use machines which have been tried elsewhere. The industry is now run on cottage industry lines and some of the machines used are out of date. I would also suggest that such a school should have a list of firms which have adopted the improved processes and are reliable and bring the names of these firms to the notice of enquirers. If a school of the sort I have outlined were in existence, it might easily get into touch with say the Director of Industries in Madras. I am sure that the Director of Industries there would like to see the Indian thread used in preference to the imported thread. He would probably be willing to co-operate and bring to our notice the defects which in the opinion of Madras weavers ought to be removed.

Dr. Matthai.—Your school would serve partly as an information bureau?

Mr. Advani.—It should be the centre of the gold thread industry, but it would not actively organise selling and so on. For the Surat thread or—if you like to put it that way—for the Bombay Presidency thread, the school would be the centre.

Dr. Matthai.—It would not be a marketing organization; it would only be an information bureau?

Mr. Advani.—Yes. It would also train people, give technical advice, and make known new and improved devices and processes and carry out propaganda.

Dr. Matthai.—Have you any kind of idea as to what a school of this kind would cost—both capital and recurring?

Mr. Advani.—I think that a school like the one I have in view will have to have a good deal of experimental machinery. It may cost about Rs. 75,000 in capital expenditure. If all the various functions that I have outlined are to be carried out I should think a sum of Rs. 40,000 or Rs. 50,000 will be its annual expenditure, which I don't think is too much. As you know, the total value of the gold thread manufactured in Surat runs to many tens of lakhs of rupees and the cost of the school—both capital and recurring—does not work out to any great percentage on the total turnover. Such a school will not only look into the question of actual production or improvement of gold thread but also look into the question of further uses of such gold thread. For instance, we are now importing fabrics from France and other countries. I don't see why such a school should not go into the question whether local fabrics could or could not replace the imported. We had been producing such stuff in the past; we have the traditions and skill there and I do not see why we should continue to import the stuff which we are now importing.

President.—On the contrary you may think of a time when India may export?

Mr. Advani.—Yes.

Dr. Matthai.—Do you consider that a trade school could be started if you have a complement of 25 boys to turn out every year?

Mr. Advani.—Yes. 25 pupils may be promoted to the hinger class and another 25 admitted next year, so that altogether there will probably be 50 or 60 boys. We may have an artisan course for a year or even less for those people who are preferably literate. For the higher course we may take those who have studied up to Sixth Standard English and who after training might go into the trade and organise it. In Surat there are as many as 400 factories driven by electric power, and there are others which are using hand power. That will give you an idea of the number of factories in existence and I do not see why these factories should not be organised properly. I shall give you an illustration of what I have in my mind. I came across a young man trained in one of the technical weaving schools. He went into a village where there was a large number of weavers and studied their requirements. He told them "I shall give you yarn, take the finished product from you and sell it. I shall give you so much as wages and if there is any profit it will be divided." He has gradually built up his position and now he has about 70 weavers under him. These weavers work in their homes and instead of depending on sowcars as before they are now working under the leadership of a young man who is educated, who understands the trade and who is a weaver and a dyer. He shows them how to weave, comes along to the Bombay market studies the conditions here, goes back and tells them what the market wants. They have told me that there is now more continuous work than before and that they are happy. This young man was instrumental in organising the industry to a certain extent. That is the kind of thing I have in view. We might have an advanced course limited only to a few people who would be able to organise the trade a bit better than it is now.

Dr. Matthai.—Where would you recruit the teachers for a school of that kind?

Mr. Advani.—To start with I would have a good man at the head, but he would be more an organiser than anything else.

Dr. Matthai.—Such as a man who had been at the Gold Thread Factory?

Mr. Advani.—I would prefer to have at the head an organiser who has had experience of the gold thread industry but he need not necessarily be a technical specialist.

Dr. Matthai.—If you were to get hold of a man who had a large amount of experience of the gold thread industry but not technical experience and who understands the needs of the industry—I mean the general conditions of the industry—such a man with suitable technical staff would be all right?

Mr. Advani.—That is the idea.

Dr. Matthai.—As far as we were able to judge from the situation in Surat as you say the technical part of the thing is very important, but almost equally important is the marketing part, that is to say supposing we grant protection to the industry the two things that I should aim at are these; first the capturing of the Madras market which is the main centre of competition and the other is the stoppage of the present cut-throat competition, so that both these would have to be undertaken by some agency which understands the problem of marketing.

Mr. Advani.—This being a cottage industry, it will be difficult to organise a central marketing organisation at once. I think that it will be a slow process. You will have to make men available with training who will be able ultimately to reduce the total number of units—I am not referring here to the total number of factories because I am not particularly anxious to reduce the number of factories, but what I want is one organiser for say 20 or even 50 factories. I don't think at present we have the material to do that. I don't think it is due to want of capital either because the industry has been able to attract capital. I think what is lacking is organisation.

Dr. Matthai.—Let me put the question in this form. Supposing next March you get a duty of 50 per cent. and that is declared a protective duty, we have to get the industry to capture the most important market, viz.,

Madras. We want them to take every possible advantage of this tariff assistance. Apart from the school which you have suggested, is there any definite step that can be taken in order to help them to get the results fairly immediately?

Mr. Advani.—The school that I am suggesting must not be taken in any narrow sense of training and research only. I would use it in the broader sense. I would want it to be an information bureau as well as a sort of propaganda bureau that should help the industry in its selling part.

Dr. Matthai.—Your school is really a centre of organisation.

Mr. Advani.—I should say that it would be like some of the technical or trade schools in Europe. The school must help the industry in every direction. It must train and help the organisers, workers, merchants and in fact everybody in touch with the industry.

Dr. Matthai.—So that you would to some extent depend on the school for achieving the objects connected with marketing?

Mr. Advani.—Yes, but the idea is that ultimately when the school has had its proper effect in making organisers and trained men available, the number of units competing with each other ought to be reduced and with the possibility of co-operation in selling amongst them they ought to be able to stand the outside competition better. The reason why there is so much competition is there are so many small factories, which have no proper organisation and no sustaining power.

Dr. Matthai.—I suppose if a problem like this arose there is a possibility of selling a much larger quantity of Surat gold thread in places like Salem, Madras. Then the head of your school might very well write to the Director of Industries, Madras, and say "I understand that there is a very large consumption of real gold thread in Salem and I should like to put my men in Surat in touch with them. Can you suggest possibilities?" It is in directions like that you would look for an extension?

Mr. Advani.—Yes. I would also say that—if such a school were started, it would naturally be under the Department of Industries—and the Department would say to enquirers "this is the type of Surat thread and these are the firms that will supply you".

President.—They would be informed by the Director of Industries "these are the firms which would supply the following varieties".

Dr. Matthai.—If there is an exhibition in Madras you would see that the Surat thread is properly represented.

Mr. Advani.—That is the idea.

President.—There is one interesting point which arose in Surat. We were asking Mr. Shastri about the apparent difficulty in reconciling figures given by the Bombay Government of the industry's position in 1920—1925 and the position at the present time because the Bombay Government stated in 1924-25 the output of gold thread in Surat was 20 lakhs. According to some estimates the present output is placed at Rs. 1 crore. Mr. Shastri put the present output at about Rs. 60 lakhs. An increase from 20 lakhs to 1 crore or even to 60 lakhs in 5 years requires a good deal of explanation. Mr. Shastri who was consulted when these enquiries were made informs us that though the point is not mentioned in the Government of Bombay's letter, the figures referred to the output of fine gold thread (2,000 yards) which competed with the French quality, and not to the coarser classes of gold thread. In order therefore to obtain a proper appreciation of the position the figures should be doubled. It is quite reasonable to suppose an increase from 40 lakhs in 1925 to 60 lakhs now.

Have you anything in your Department which would indicate Mr. Shastri's explanation as correct?

Mr. Advani.—I have read Mr. Shastri's letter very carefully which I have in my file. I am myself under the impression that the figures supplied by the Government of Bombay were for fine gold thread. That impression I

got by reading the letter from the Collector of Surat who I think consulted Mr. Shastri and others.

Dr. Matthai.—You say that about 16 years ago there were hardly 25 artisans engaged in the gold thread industry at Surat. I am inclined to think that at that period what probably happened was that the imported gold thread held the bulk of the market for the finer qualities but the coarser quality and things like spangles, spirals and so on, must have been in the hands of the local people.

President.—I think Mr. Shastri's explanation probably has something in it. He has been connected with the industry for over 16 years and I think he probably recalls pretty clearly what the position then was.

Mr. Advani.—Yes, he has been very enthusiastic from the commencement.

President.—We asked the Collector of Customs to give a comprehensive wording which would include both imitation gold thread and half fine imitation and lametta and this is what he has sent us (hands in). You might give us your opinion.

Mr. Advani.—There is no specific mention made of lametta. He makes mention of lametta under imitation 'imitation gold or silver wire or lametta', and also no mention is made of other things like spangles, spirals and so on.

Dr. Matthai.—He says something about ornamental filaments.

Mr. Advani.—I don't think that is comprehensive enough. I would also be inclined to include in that fabrics containing these items.

Dr. Matthai.—That would not be necessary because they have got a section in the Sea Customs Act; what is applicable to one part is applicable to the whole. But would you like to consider that more carefully?

Mr. Advani.—I would if I have a copy of that. I rather got the impression when reading it that these filaments may not cover all items. However I would like to consider this and let you know.

Dr. Matthai.—In this list that you give in answer to question 3—of 19,000, roughly half of that are people directly interested in the industry?

Mr. Advani.—That is so if you deduct the last four categories. That leaves about 10,000 people.

Dr. Matthai.—What is this reference about Benares weavers of gold thread? Why do you include that in this list?

Mr. Advani.—I should say weavers from Benares who have settled down in Surat and weave cloths containing gold thread.

Dr. Matthai.—What is the point of saying Benares thread?

Mr. Advani.—I have made no reference to Benares thread. It may however be mentioned that fine silver wire is imported into Surat from Benares and fine thread is manufactured from it.

Dr. Matthai.—How exactly do you explain the present depression in the industry? You say "production may be taken as approximately 20 per cent. of what it was a few months ago".

Mr. Advani.—It is trade depression.

Dr. Matthai.—You mean people not purchasing?

Mr. Advani.—That is the main explanation, and lack of organization.

Dr. Matthai.—That has been there all along?

Mr. Advani.—But there has been an increase in the number of factories.

Dr. Matthai.—You have made no specific reference to lametta in your proposals. Do you want protection extended to lametta?

Mr. Advani.—Right through. Gold thread is an inclusive and comprehensive term. I would also like fabrics to be put in there.

Dr. Matthai.—For administrative purposes I understand it would be a great convenience if we include lametta also, but I was thinking that if you adopt the kind of argument that you have adopted in regard to half fine imitation, there cannot be any close correspondence between imported lametta

and the Indian made rolled silver lametta. I mean that the two things are so far apart. Does any competition really arise?

Mr. Advani.—The imported lametta then could be used for making thread here, and also one of the important reasons is that if as an indirect result there was a possibility of one or more factories of half fine thread being established here, that could not be done if half fine or imitation lametta was allowed to come into the country at, say, 15 per cent. duty. I think you must treat this as one question. If the protective duty is to be granted you might as well take the maximum advantage of that protective duty.

Dr. Matthai.—You speak of Mysore factory thread which is like half fine imitation: have you had time to look into the question of the Mysore factory?

Mr. Advani.—They have been making imitation and half fine thread. They had sent me samples. I have not yet got their manufacturing costs and allied information. I am waiting for that.

Dr. Matthai.—You will be able I hope to give us some information about it?

Mr. Advani.—I think so if I get sufficient information on the subject. The factory is not now working: it was closed because they were not able to compete.

Dr. Matthai.—But if we can get some idea of their processes, their costs and the general expenditure it might be interesting.

Mr. Advani.—I will try to give these in due course.

President.—You propose, I take it, to get into touch with the Director of Industries, Madras, and ask him what the particular qualities are which are required by the weavers in Salem?

Mr. Advani.—I have as a matter of fact a letter on my desk for that purpose for my signature. I heard that the Director of Industries was anxious that the duty should be removed and I was anxious to know why. Just now I have been mentioning the establishment of a trades school. Some people have advocated the establishment of a central institution for the whole country. I am anxious that if it is to be a central institution it must be in Surat which is going to be the principal centre of trade.

President.—Have you received any communication from the Director of Industries, United Provinces?

Mr. Advani.—No.

President.—I thought that possibly he might have consulted you.

Mr. Advani.—No. I might make it clear that I have given this evidence in my personal capacity and not as a representative of the Government of Bombay.

(2) Evidence of Mr. P. B. ADVANI, Director of Industries, Bombay, recorded at Bombay on Thursday, 11th September, 1930.

President.—Before we get on to Sugar, you have sent in a formula to cover gold thread and other manufactures which you suggest should be incorporated in the Customs Tariff Schedule. What is the exact point you wish to amend in the Collector of Customs formula?

Mr. Advani.—I think the Collector of Customs has not made it clear that the proposed duty covers ornamental things like purls, spangles and so on made mainly from silver.

President.—Have you seen the Collector of Customs about this?

Mr. Advani.—No.

President.—Take the first two lines of your formula "Gold thread and wire (including so-called gold thread and wire and lametta, spangles, purls, etc., mainly made of silver)...": to make spangles, for instance, come under gold thread is rather far-fetched.

Mr. Advani.—Right at the end he has included such ornamental things "used for the ornamentation of woven fabrics". I have merely made it more definite.

President.—Is it not better to put at the end simply a clause instead of including it in the gold thread?

Mr. Advani.—There is no objection to putting it at the end provided it is made clear that it is not only gold thread but also ornamental filaments made mainly of silver are included.

President.—Will it meet your purpose if we have this definition of the Collector of Customs as it stands and alter the last sentence to run—

"and lametta, spangles, purls and other metallic filaments used for the ornamentation of woven fabrics"?

Mr. Advani.—Probably it would. I took it that the last line which refers to metallic filaments would confine itself only to materials which are made mainly from base metal because the last line refers to materials made from base metal.

Dr. Matthai.—It comes after imitation—"Imitation gold or silver thread and wire and lametta, irrespective of the quantity of precious metal contained therein, and similar metallic filament.....". Your suggestion is that similar metallic filaments might imply imitation metallic filaments only?

Mr. Advani.—Yes, and not the filaments which are made mainly of silver. Most of the spangles are made mainly of silver. You will remember when we visited the factories we saw some silver spangles.....

President.—But none are imported.

Mr. Advani.—I am unable to say that as the Customs have not given me any figures. My information specially in regard to the real gold thread and wire and purls and so on is rather different from yours. I have arranged with one or more people to come and corroborate the statements they have made to me.

Dr. Matthai.—Your suggestion is that although it is considered that the great bulk of these spangles which are imported are made of base metal, even if there is a small quantity now imported made of silver that risk must be protected against?

Mr. Advani.—That is my view.

Dr. Matthai.—You drop the word 'filament' altogether?

Mr. Advani.—Yes, because I have given definite names which the trade gives to the articles in question.

Dr. Matthai.—What does filament mean?

Mr. Advani.—It may mean anything. It may or may not cover these purls, spangles and so on. It is a very general term.

President.—You still leave a fairly wide latitude by the use of the term 'etc.'?

Mr. Advani.—By 'etc.' I mean similar things which are used for ornamentation purposes. If we could get a comprehensive term which would include all these.....

Dr. Matthai.—Would it be sufficient to say 'lametta, spangles, purls and other similar metallic filaments'?

Mr. Advani.—Probably that would define the word filament.

Dr. Matthai.—In that case you get both a comprehensive wording and a few illustrative things.

Mr. Advani.—That is true.

Dr. Matthai.—Your two points are that provision must be made for spangles, purls and so on mainly made of silver and not merely of base metal and also that the word 'filament' must be sufficiently explained so as to include all these various articles?

Mr. Advani.—Yes, these are the two main points.



नमो भगवते वासुदेवाय

Government of Madras.

- (1) *Copy of the D. O. No. 597, dated the 30th July, 1930, from G. S. Bozman, Esquire, I.C.S., Secretary, Tariff Board to V. S. Ramamurti, Esquire, I.C.S., Secretary, Development Department, Government of Madras.*

GOLD AND SILVER THREAD INDUSTRY.

In a reply to one of our questionnaires a French importer in Pondicherry has made a reference to a newspaper report, dated the 4th April, 1930, of a sitting of the Madras Textile Advisory Committee at which the Gold Thread Industry was a subject of discussion. I am under the impression that this Committee is an *ad hoc* Committee and not a Standing Committee. Could you let the Tariff Board have three copies either of the proceedings of the Committee with reference to this particular industry or of the recommendations made by it to Government? The actual proceedings would, of course, be of much greater value to us as we should want to know on what findings the recommendations were based. It would be clearly understood that the findings of the Committee neither bind Government nor necessarily represent Government's views.

- (2) *Letter No. 2503-II/30-1, dated the 6th August, 1930, from the Secretary, Development Department, Madras, to the Secretary, Tariff Board.*

Your D. O. No. 597, dated 30th July, 1930, regarding gold and silver thread industry.

The *ad hoc* Committee you refer to was the Conference of Officials and Non-officials held under the presidency of the Hon'ble the Minister for Development in September, 1928, to consider the working of the Textile Section of the Industries Department which submitted a report in January, 1929. This Conference made a suggestion that the duty on gold thread should be removed if the handloom industry were to survive in its competition with mill industry. An extract from their report is enclosed. This suggestion was further considered by the Standing Advisory Committee that was subsequently constituted to advise Government on matters concerning the development of handloom weaving. The notes prepared by the Director of Industries which formed the basis of discussion at the Committee's meetings in January and April, 1930, are attached, as also the recommendations of the Committee. The discussions at the meetings have not been recorded but only the recommendations. The Government of India have been addressed on the subject.

Enclosure.

Note for the Textile Advisory Committee.

(By the Director of Industries.)

Subject:—No. 5. (b) REMOVAL OF THE DUTY ON GOLD-THREAD.

In considering the question of the removal of duty on gold thread, it is necessary to bear in mind that the French lace is fine, thin and superior in quality to the Indian mill made lace or hand made lace and that this particular quality is in greater demand amongst the handloom weavers than Indian lace. If it is not possible to produce this quality in India at a favourable price, the removal of the duty seems absolutely necessary as a reduction in the cost of this raw material, combined with the removal of duty on fine yarns, will assist the handloom weavers in producing their cloth cheap and withstanding foreign competition. Figures relating to the manufacture of gold thread in India are, however, not available.

The subject was considered at the meeting of the Textile Advisory Committee held on the 4th April, 1930. The following is an extract of the minutes of the meeting:—

"The Director's proposal is accepted."

Meeting of the Textile Advisory Committee held on 25th January, 1930.

(Subject:—No. 5. (b) INTRODUCTION OF SUCH FISCAL AND OTHER MEASURES AS ARE NECESSARY TO PROTECT THE TEXTILE COTTAGE INDUSTRIES OF THE PROVINCE FROM FOREIGN AND INDIAN MILL COMPETITION SUCH AS—.)

* * * * *

Removal of the duty on gold thread.

NOTE BY THE DIRECTOR OF INDUSTRIES.

Gold thread is used by handloom weavers in the manufacture of both silk and cotton cloths. Handloom weavers of this Presidency prefer French to Indian manufactured gold thread or lace. In 1927-28 the value of imports of gold and silver thread by sea into the province amounted to Rs. 18,68,895.

2. Lace is used in combination with either silk or fine and costly imported cotton yarns. Since neither the mills in Europe nor in India produce lace cloths, there is no competition between them on the one hand and the handloom on the other.

3. The present levy of 30 per cent. duty on gold thread is a severe hardship to the handloom weavers. A duty is levied on both the imported cotton yarn and on the lace used in the manufacture of lace cloths. If the duty on the imported lace as well as on fine imported yarns is removed, the cost of production will be considerably reduced and there will be a greater demand for such fabrics. The increase in demand will enable the weavers to increase their output and enhance their earnings. It is therefore considered necessary that the present duty on gold thread should be immediately removed in order to improve the economic condition of the handloom weavers.

The above subject was discussed at the meeting of the Textile Advisory Committee on the 25th January 1930. The following is an extract of the minutes of the meeting:—

"Information may be furnished about the production of gold thread in India and how the removal of duty on the import of gold thread may affect the production in India."

Extract of Para. 6 of G. O. No. 509, Development, dated 22nd March, 1930.

6. In considering the means of removing the disparity in prices no useful purpose will at present be served by launching on a detailed discussion of the various methods of providing protection to the handloom cotton weaving industry. On the representations made by the Millowners Association, the Government of India have offered protection and also assisted the cotton mill industry by removing the excise duty on cloth, enhancing the import duty on yarns, removing the import duty on machinery and by deputing a trade mission to explore the possibility of markets for Indian mill goods in other countries and studying their requirement in that connexion. The Department of Industries has in future to urge for such steps as are likely to assist the handloom industry also. It is observed that as the result of the grant of protection to the Indian spinning mills, the competition between the handloom and the powerloom in respect of the wearing apparel of the masses has in recent years

been intensified. In the case of cloths worn by the classes, the duty has to some extent affected the earnings of the handloom weavers and it is desirable that in order to enable the handloom weaving industry to survive in competition, the duty on yarns of counts above 40s. may be removed as also duty on gold thread. As regards yarns of counts below 40s. which are mostly supplied by Indian mills, Government may stipulate a condition that they should not be below a standard strength test, and should be of the required count, correct length and weight. Government may also assist the handloom industry by providing cheap facilities by rail for transporting yarn and cloth for weavers' co-operative societies.



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